



**DRAFT ANNUAL BUDGET
OF
NDWEDWE LOCAL MUNICIPALITY
FOR
2021/2022 TO 2023/2024**

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

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ABBREVIATIONS & ACRONYMS

AFS	Annual Financial Statements
BSC	Budget Steering Committee
BTO	Budget & Treasury Office (Finance)
CFO	Chief Financial Officer
DORA	Division of Revenue Act
DORB	Division of Revenue Bill
COGTA	Co-operative Governance & Traditional Affairs
EXCO	Executive Committee
FMG	Financial Management Grant
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HIV/AIDS	Human Immune Deficiency Virus / Acquired Immune Deficiency Syndrome
IDP	Integrated Development Plan
IT	Information Technology
NDW	Ndwedwe Municipality
MANCO	Management Committee
MBRR	Municipal Budget and Reporting Regulations
MFMA	Municipal Finance Management Act 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager (Accounting Officer)
MPCCs	Multi-Purpose Community Centres
MPRA	Municipal Property Rates Act 2004 (Act No. 6 of 2004)
MSA	Municipal Systems Act 2000 (Act No. 32 of 2000)
MSIG	Municipal Systems Improvement Grant
MTREF	Medium Term Revenue & Expenditure Forecast
MV	Market Value
NT	National Treasury
PPP	Public-Private Partnerships
PSI	Public Service Infrastructure
PT	Provincial Treasury
SALGA	South African Local Government Association
SDBIP	Service Delivery & Budget Implementation Plan
VAT	Value-Added Tax

PART 1 – ANNUAL BUDGET

1.1 MAYOR’S REPORT

The Mayor’s report will be presented by the Mayor at Council.

1.2 COUNCIL RESOLUTIONS

The following resolutions approving the 2021/2022 – 2023/2024 MTREF are submitted to Council for consideration and adjusted where necessary:

1. **THAT** in terms of Section 16(1) and (2) of the Municipal Finance Management Act, 56 of 2003: - The draft annual budget of the Municipality for the Financial year 2021/2022; and indicative allocations for the two projected outer years 2022/2023 and 2023/2024; and the multi – year and single year capital appropriations be approved as set out in budget table A1 to A10.
2. **THAT** the draft Tariff of Charges for the 2021/2022 financial year be considered and adopted.
3. **THAT** Council approves the draft budget related policies with effect from 01 July 2021.
4. **THAT** the following measurable performance indicator for revenue collections be set: Property Rates income: the minimum collection rate of 60%
5. **THAT** in terms of the priority in the execution of the capital budget, priority should first be given to all projects that have been rolled over of which are primarily grant funded.
6. **THAT** any savings on the capital budget to be retained and not transferred to any other vote to ensure that the municipal financial sustainability is maintained.

1.3 EXECUTIVE SUMMARY

1.3.1 Background

Section 16 (1) of the Municipal Finance Management Act no 56 of 2003 indicates that, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Subsection (2) further states that for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

As such the Council is presented with the Draft Annual Budget for 2021/2022 MTREF in compliance with Section 16 (1) and (2) of the MFMA and Municipal Budget & Reporting Regulations.

1.3.2 Discussion

The application of sound financial management principles for the compilation of the municipality's financial plan is vital and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically, and equitably to all municipalities. The municipality business and service delivery priorities were reviewed as part of this year's planning and budget process where appropriate funds were transferred from low to high priority programmes to maintain sound financial stewardship.

A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by customers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring people lead government.

The budget/IDP process will be conducted according to the budget timetable approved by the council in August 2020. This ensures compliance with the MFMA and subsequent circulars in the preparation and approval of 2021/2022 draft budget / IDP. The Budget and Medium-Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Municipal Finance Management Act No 56 of 2003, circular No. 107, circular No 108 and the MFMA budget formats Guide received from National Treasury.

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

- Slow pace of Town development and proclamation thereof,
- High number of poorly maintained community access roads or non-existent at all.
- Substantial need of community assets e.g., Sports fields and Community Halls.
- The perpetual increase of Eskom electricity supply hence cost of supplying water supply by District Council also increases which subsequently affect the municipal cost for electricity and water.
- The need to increase municipal fleet and replace the current fleet to meet minimum service delivery standards.
- Maintain an adequate balance filling of the vacant posts and budget percentage of salaries against overall budget to ensure the municipality is following the National Treasury Salary bill norm.
- The high prevalent of indigent households within Ndwedwe Local Municipality.
- Inability of the municipality to generate its own revenue base.
- Producing a balanced, credible, and funded budget taking into account realistically anticipated revenues under these on-going difficulties in the national and local economy.
- The need to re-prioritise projects and expenditure within the existing resource envelop given the cash flow realities and declining cash position of the municipality.

The Ndwedwe Municipality's Medium Term Revenue Expenditure Framework complies with all legal requirements which are as follows:

- The Constitution 1996 (Act No. 108 of 1996),
- The Local Government: Transition Act 1993 (Act No. 209 of 1993),
- The Municipal Systems Act no 32 of 2000 and regulation,
- The Municipal Finance Management Act 56 of 2003 and regulation,
- The Municipal Structures Act 1998 (Act No. 117 of 1998),
- Municipal Budget & Reporting Regulations issued by NT,
- MFMA Circulars published by NT and
- Division of Revenue Act

The municipality is consistent with the 2020/2021 budget; the 2021/2022 budget focuses on the priorities of Council as outlined in the IDP. There are listed below:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development (LED)
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Safe and Secure Environment
- Spatial Analysis
- Environmental Management

The following budget principles and guidelines directly informed the compilation of the 2021/2022 draft MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- The fixed operational cost and contracted services expenditure to take presiding in the allocation of available budget.
- This budget is zero based.
- Zero-based budgeting is defined as a process where every department function is reviewed comprehensively and each expenditure must be approved, rather than increased.
- It requires the budget request to be justified in complete detail by each department rather than just increasing its expenditure from the previous year.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2021/2022 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Operational Budget Overview of the 2021/2022 MTREF.

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Total Revenue (excluding capital transfers)	197 897 936.00	223 187 795.00	201 068 819.00	212 028 811.00	209 970 007.00
Total Expenditure	197 831 506.00	223 128 801.00	200 989 707.00	209 373 099.00	209 866 806.00
Surplus/(Deficit)	66 430.00	58 994.00	79 112.00	2 655 712.00	103 201.00
Transfers and subsidies - capital	29 630 000.00	29 630 000.00	31 331 000.00	33 267 000.00	35 000 000.00
Surplus/(Deficit) for the year	29 696 430.00	29 688 994.00	31 410 112.00	35 922 712.00	35 103 201.00

The above table indicates that the total operating revenue is expected to decrease by 11 per cent or R22.1 million for the 2021/2022 financial year when compared to the 2020/2021 adjusted budget however this will increase by R3.2 million when compare to 2020/2021 financial year original budget. For the two outer years, operational revenue will increase by 5 and decrease by 1 per cent respectively, equating to a total revenue growth of R12.1 million over the 2021/2022 MTREF when compared to the 2019/2020 financial year.

Total operating expenditure for the 2021/2022 financial year is expected to decrease by R22.1 million or 11 per cent when compared to the 2019/2020 adjusted budget however when this is compared to the 2020/2021 original budget this will increased by R3.2 million. The operational expenditure is expected to increase by R8.4million and 0.6 million respectively for the two outer years of the 2021/2022 MTREF.

Table 2: Total Capital Expenditure

Vote Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Capital expenditure - Vote					
Total Capital Expenditure - Vote	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00

The above illustrate that the municipality is planning to invest R83.6 million in 2021/2022 financial year toward municipal asset with many of it to be directed to road infrastructure and phase two building of the municipal offices in trying to deal with the office space that is faced by the municipality and the establishment of the testing centre in line with the municipal strategy to generate its own revenue.

Table 3: Proposed Capital Budget Funding for 2021/2022 MTREF

Vote Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Funded by:					
National Government	29 630 000.00	29 629 998.00	31 331 000.00	33 627 000.00	35 000 000.00
Provincial Government	-	-	-	-	-
District Municipality	-	-	-	-	-
Transfers and subsidies - capital (monetary al	-	-	-	-	-
Transfers recognised - capital	29 630 000.00	29 629 998.00	31 331 000.00	33 627 000.00	35 000 000.00
Borrowing	-	-	-	-	-
Internally generated funds	55 692 266.00	58 766 216.00	52 310 000.00	28 550 000.00	26 700 000.00
Total Capital Funding	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00

The above table illustrates the funding model of the capital project, where the larger portion of it will be funded from internal funding and the rest will be funded by the national grant i.e. MIG.

1.3.4 OPERATING BUDGET

1.3.4.1 Operating revenue framework

For the municipality to continue with its mandate to provide the quality services to its citizens it must generate the required revenue. Strong revenue management is fundamental to the financial sustainability of every municipality under these tough economic times.

The reality is that some communities within our municipality are still faced with development backlogs and poverty. As a result, the required expenditure to address these challenges will inevitably always exceed the available funding; hence radical choices must be made in relation to tariff increases and balancing expenditure against the realistically anticipated revenue.

The municipality's revenue is directly informed around the following key components:

- The projected revenue is determined, inter alia, by setting tariffs which are not only affordable to the consumers, but also deemed to be fair and realistic.
- National Treasury's guidelines and macroeconomic policy;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); and

The following table is a summary of the 2021/2022 MTREF (classified by main revenue source):

Table 3: Summary of revenue classified by main revenue source.

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Revenue By Source					
Property rates	18 988 936.00	18 988 936.00	19 748 494.00	20 577 929.00	21 483 360.00
Service charges - refuse revenue	100 000.00	33 478.00	100 000.00	104 200.00	108 785.00
Rental of facilities and equipment	605 000.00	512 955.00	533 473.00	555 878.00	580 337.00
Interest earned - external investments	11 000 000.00	6 000 000.00	6 500 000.00	10 000 000.00	10 440 000.00
Interest earned - outstanding debtors	800 000.00	870 926.00	941 852.00	981 410.00	1 024 592.00
Licences and permits	1 000.00	1 500.00	1 500.00	1 563.00	1 632.00
Transfers and subsidies	165 845 000.00	195 622 000.00	172 688 000.00	179 229 000.00	175 727 000.00
Other revenue	558 000.00	1 158 000.00	555 500.00	578 831.00	604 301.00
Total Revenue (excluding capital transfers and contributions)	197 897 936.00	223 187 795.00	201 068 819.00	212 028 811.00	209 970 007.00

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

The transfer recognised operational revenue forms a significant percentage of the revenue basket for the municipality. In 2021/2022 financial year, the transfer recognised operational revenue is expected to be amount to R179.2 million. The Ndwedwe Local Municipality is the grant dependent municipality; however, the municipality is in the process of attracting more investors to come and invest in the municipality which will potentially increase the chances for the municipality to generate its own revenue.

The second largest revenue category for the municipality is property rate followed by the revenue anticipated from the interest earned on the external investment.

2021/2022 Operating income budget can be summarised as follows.

Property rates.

- Property rates revenue for 2021/2022 financial year is expected to increase from near R19 million to almost R20 million when compared to 2020/2021 adjusted budget.

- This R760 thousands or 3.9% increase is attributed to 3.9 per cent increase in line with the 2021/2022 CPI and in line with circular 108 of the 2021/2022 budget.

Service charges - refuse revenue.

- The municipality is in the phase of introducing the refuse removal services starting from 2020/2021 financial year. The process of engaging the consumers is ongoing however, the Covid 19 hold back this process which resulted for an adjustment of R67 thousands during the 2020/2021 financial year. With the plans in place the municipality is anticipating achieving R100 thousands of billing for 2021/2022 financial year hence this revenue category will increase by R67 thousand to R100 thousands for 2021/2022 financial year when compare to 2020/2021 financial year.

Rental of Facilities.

- Rent from municipal facilities is expected to increase by R21 thousands from R 513 thousand in 2020/2021 to R533 thousands in 2021/2022.
- This increase is attributed to the anticipated 2021/2022 financial year 3.9% CPI increase, new lease agreements to be signed and renewal of existing leases.

Interest earned – external investments.

- Interest earned on external investments is expected to increase by R500 thousand from 2020/2021 R6 million budget to R6.5 million for 2021/2022 financial year. The uncertainty around the global economy has contributed to this budget where it is unluckily to get a high interest rates from financial institution any time soon due to low economic growth the country is faced with.
- The anticipated deposits for 2021/2022 is more the same as 2020/2021 financial year due to low anticipate growth on the revenue base of the municipality hence it leaves little to be invested which can yield a significant impact on the overall interest anticipated from investments.
- The previous year's payments trends have also looked at in coming up with this budget to ensure that the municipality is anticipating the more realistic budget to ensure the full recognition of the revenue at the end of financial year.

Interest earned - outstanding debtors.

- Interest earned - outstanding debtors will increase by R71 thousands for 2021/2022 financial year.
- The decrease in rate collection due to covid 19 has contributed to this increase where the municipality is anticipating a low response from consumers in paying their rates which will result to more interest being charged on outstanding debts hence the budget has been anticipated at R981 thousands for 2021/2022 financial year.

Licences and permits

- Licences and permits budget will remain at R1.5 thousand for 2021/2022. The slow developments within the municipality have limited the chance for the municipality to receive more money from licences and permits since there is low demand for this services in the many business operating with the municipality.

Transfers and subsidies

- The 2021/2022 transfer recognised operational revenue will increase by R6.8 million when compared to 2020/2021 original budget. This increase is because of new grant allocations from National and Provincial government as displayed on the new released DORA.
- However, on the other hand the 2021/2022 budget will decrease by R22.9 million where compare to 2020/2021 adjusted budget. This is attributed to the Covid 19 grant of R29.8 million that was allocated to the municipality to assist in dealing with the covid 19 impact this has not yet prioritised in this draft budget. Hence 22.9 million decrease have been realised for 2021/2022 financial year when compare to 2020/2021 financial year.

Other revenue

- Other revenue budget will decrease by R603 thousands in 2021/2022 financial year to R579 thousands when compare to 2020/2021 adjusted budget of R1.2 million.
- During the adjustment budget for 2020/2021 financial year, the municipality had to increase the budget for tender documents as the municipality introduced the method of panel of services providers for different services provided by municipality which resulted to higher tender documents demand from services provider which has subsequently yielded more money than anticipated the adjustments was necessary to be in line with the amount received.

1.3.4.2 Operating expenditure framework

The municipality's expenditure framework for the 2021/2022 MTREF is informed by the following budget principles:

- 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 budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programs are aligned to addressing the backlogs of municipal infrastructure establishment.
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.

Tabled 4: The following table is an indicative of the anticipated 2021/2022 operating expenditure by standard classification item: -

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Expenditure By Type					
Employee related costs	66 202 256.00	63 666 625.00	72 641 476.00	75 692 417.00	79 022 880.00
Remuneration of councillors	16 246 709.00	16 246 709.00	16 896 577.00	17 606 236.00	18 380 907.00
Debt impairment	2 500 000.00	2 500 000.00	3 000 000.00	3 126 000.00	3 263 544.00
Depreciation & asset impairment	21 999 999.00	22 708 672.00	23 495 630.00	24 424 274.00	25 498 942.00
Inventory consumed	1 040 000.00	917 500.00	1 240 000.00	1 292 080.00	1 348 932.00
Contracted services	47 744 200.00	63 188 205.00	43 434 000.00	45 258 228.00	41 196 121.00
Transfers and subsidies	6 224 000.00	16 928 254.00	3 450 000.00	3 594 900.00	3 753 076.00
Other expenditure	35 874 342.00	36 972 836.00	36 832 024.00	38 378 964.00	37 402 404.00
Total Expenditure	197 831 506.00	223 128 801.00	200 989 707.00	209 373 099.00	209 866 806.00

In view of the above table, it can be noted that the total operating expenditure budget for 2021/2022 financial year is amounts to R201.0 million, a R22.1 million decrease from 2020/2021 adjusted budget and R3.2 million increase when compare to 2020/2021 original budget. For the outer years, the budget is estimated to be R209.4 million and R209.9 million, respectively.

The components of the operating budget can be explained as follows:

Employee related costs

- Employee related costs is budgeted at R72.6 million for 2021/2022 financial year.
- During the 2020/2021 adjustment budget, the council had to remove some of the delayed budgeted post to fund the then unforeseeable and unavoidable expenditure, such as demand increase in burial services and to fund the increase demand for disaster that affected the municipality during the December and January of 2019/2020 financial year.
- As a result, this increase of R9 million when compare to 2020/2021 adjustment budget is attributed to the returning of those budgeted posts into the budget and the normal anticipated increment increases of 6.25 per cent as per SALGA agreement and 2.5 per cent for notch increases for those posts that are still not yet reached the sealing.
- The Council to note that the maximum norm for employees related cost is 40% when compare to the overall operating budget however, the municipality is sitting with a budget of R45%.
- Hence the municipality will have to engage on the process of ensuring that the organogram is attended to during the consultation process to come up with a workable strategy which can ensure that the filling of post is in line with the norm of 40% whereas the service delivery is not compromised on the other hand due to staff constraint.

Remuneration of councillors

- This line item is budgeted to be R16.9 million for 2021/2022 financial year.
- This budget is aligned to the consideration of determination of upper limits for councillors and office bearers as indicated on circular 108 of the MFMA which state that municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act.
- The increase of 3.9% in this expenditure category is in line with the 2021/2022 anticipated CPI increase which should it be given to Councillor's at least the provision is made on the budget.

Debt impairment

- Debt impairments consist of the debt provision the municipality set aside to take care of the non-payments of the municipal accounts by consumers, although this expenditure

is a noncash item, but it informs the total cost associated with rendering of services by the municipality as well as the municipality's realistically anticipated revenue.

- This is following the GRAP standards. The Bad debts provision has been calculated based on the collection trend of the municipality.

Depreciation & asset impairment

- Depreciation, asset impairment and amortisation budget for 2021/2022 financial year amounts to R23.5 million. This budget figure is informed by the fixed asset policy considering the existing fixed assets register and new projects to be implemented in 2021/2022 financial year. Should the anticipated completion of the capital project change, this item will have to be revisited during the adjustment budget.

Inventory consumed.

- Inventory consumed budget for 2021/2022 financial is proposed to be amount to R1.2 million.
- This will be utilised to purchase the stock for repair and maintenance as well as to by cleaning materials and stationery.

Contracted services

- This item is budgeted at R43.4 million for upcoming financial year.
- The decrease of R19.8 million when compare to adjusted budget in attributed to the programme that were incorporated to the budget during the 2020/2021 special adjustment budget in line with the Covid 19 assistance from National Government to assist the municipality in dealing with the impact of the covid 19.
- On the other hand, this expenditure category will decrease by R4.3 million when compare to original budget of R47.7 million. This is in line with low revenue growth of the municipality and in line with the approved cost containment measures policy to minimise the nice to have programmes on the budget.

Transfers and subsidies

- The 2021/2022 Transfers and subsidies budget amounts to R3.5 million.

- The decrease of R13.5 million when compared to 2020/2021 adjusted budget is because of removing of the Covid 19 programmes which were incorporated into the budget after the receiving of the Covid 19 National Grant assistance.
- However, on the other have the decrease of R2.8 million when compare to 2020/2021 original budget is attributed to INEP grant the municipality will be receiving in 2021/2022 financial year hence no internal funding will be used to fund the electrification projects in 2021/2022 financial electricity projects.
- It must be noted that the municipality will continue with electrical projects for the area that still in need for such basic need however, due financial contrast faced by the municipality this will be done using the Grant only until the whole municipality is covered with electricity connection but if the circumstances require the Council to again utilise its own funding for electrical projects, the council will take the decision and the budget will be brought in to ensure that the target of electrifying the whole municipality is achieved.

Other expenditure

- The proposed budget allocation for other expenditure is amounts to R36.8 million for 2021/2022 financial year.
- The minimum changes in this expenditure item when compared to 2020/2021 adjusted budget is due to the zero-based budget approach adopted by the municipality where all votes were treated as zero until management agreed and motivated for a figure hence it resulted to this low increase when compared to adjusted budget.

1.3.4 Capital expenditure of the MTREF

The Capital Budget focuses on the IDP objectives and ndwedwe infrastructure needs.

Asset management best practice requires the Council to allocate 40% of the capital budget to renew/maintaining the existing assets. Since Ndwedwe Municipality is still growing/developing, all wards still require new infrastructure like roads, sport fields, community halls and creches. Hence only 6% budget that has been set aside for renewing or upgrading of the existing assets. However it is anticipated that in the few years to come the municipality will start to ensure that it sets aside enough budget to ensure that the already existing structure is renewed or maintained.

Table 6: The following table provides a breakdown of budgeted capital expenditure by function for 2021/2022 financial year:

Vote Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand					
Capital Expenditure - Functional					
Governance and administration	8 237 200.00	9 724 857.00	4 750 000.00	3 350 000.00	3 900 000.00
Executive and council	950 000.00	1 350 000.00	2 750 000.00	1 850 000.00	2 800 000.00
Finance and administration	7 287 200.00	8 374 857.00	2 000 000.00	1 500 000.00	1 100 000.00
Internal audit	-	-	-	-	-
Community and public safety	3 100 000.00	3 280 000.00	3 400 000.00	1 850 000.00	400 000.00
Community and social services	3 100 000.00	3 280 000.00	3 400 000.00	1 850 000.00	400 000.00
Sport and recreation	-	-	-	-	-
Public safety	-	-	-	-	-
Housing	-	-	-	-	-
Health	-	-	-	-	-
Economic and environmental services	73 985 066.00	75 391 357.00	75 491 000.00	56 977 000.00	57 400 000.00
Planning and development	42 064 411.00	34 230 385.00	43 836 686.00	34 477 000.00	35 400 000.00
Road transport	31 920 655.00	41 160 972.00	31 654 314.00	22 500 000.00	22 000 000.00
Total Capital Expenditure - Functional	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00

The above table indicates that Ndwedwe Local Municipality has set aside a capital budget of R83.6 million for 2021/2022 financial year with most of the budget allocated to road infrastructure followed by the municipal offices phase two, testing station and community Halls to ensure that the municipality reduces the backlog in terms of such basic developments.

Table 7: 2021/2022 capital budget funding sources.

Vote Description R thousand	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Funded by:					
National Government	29 630 000.00	29 629 998.00	31 331 000.00	33 627 000.00	35 000 000.00
Provincial Government	-	-	-	-	-
District Municipality	-	-	-	-	-
Transfers and subsidies - capital (monetary all	-	-	-	-	-
Transfers recognised - capital	29 630 000.00	29 629 998.00	31 331 000.00	33 627 000.00	35 000 000.00
Borrowing	-	-	-	-	-
Internally generated funds	55 692 266.00	58 766 216.00	52 310 000.00	28 550 000.00	26 700 000.00
Total Capital Funding	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00

The above table illustrates the funding model of the capital project, where the larger portion of it will be funded from internal funding and the rest will be funded by the national grant i.e. MIG.

1.3 ANNUAL BUDGET TABLES

In terms of the Municipal Budget and Reporting Regulations, the 10 primary budget tables, as attached, reflects the 2021/2022 budget and MTREF to be supported by Council and made public for comment.

Budget Table	Synopsis of table
Table A1	High level summary of the municipality's budget, including operating, capital, financial position, cash flow and MFMA funding compliance.
Table A2	Indicative of the budgeted financial performance with regards to revenue and expenditure per standard classification.
Table A3	Indicative of the budgeted financial performance with regards to revenue and expenditure and operating surplus or deficit per municipal vote.
Table A4	Indicative of the budgeted financial performance with regards to revenue by source and expenditure by type.
Table A5	Indicative of the municipality's capital projects in relation to the capital expenditure by municipal vote, capital expenditure by classification, and funding sources. Also included is information pertaining to capital transfers from National and Provincial government. NDW has adopted a multi-year capital budget appropriation.
Table A6	Indicative of the financial position of the municipality.
Table A7	Indicative of the cash and cash equivalent of the municipality over the draft MTREF.
Table A8	Indicative of the Cash Backed Reserves/ Accumulated Surplus. Represents an evaluation of the funding levels by forecasting cash and investments at year end and reconciling the available funding to the liabilities in existence. This is in line with MFMA legislation.
Table A9	Represents the municipal capital allocations to the funding of new assets and renewal of existing assets. This also includes spending on repairs and maintenance.
Table A10	Indicative of the service delivery levels, including backlogs, for each of the main services.

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

2.1.1 Background

Section 53 of the MFMA requires the Mayor to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. To assist the prioritisation and spending plans of the Council, the political component has a duty to oversee the budget process. In addition, chapter 2 of MBRR 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 MFMA.

The municipality has a functional Budget Steering Committee (BSC) in place. The BSC monitors financial planning and spending plans and advises the Council accordingly. The BSC also considers all budget-related policies before these are tabled to the Council for approval.

Ndwedwe Municipality is required to follow a strict budget process that enables significant participation by the community and all stakeholders. This budget process is governed by the MSA and the MFMA.

The draft 2021/2022 MTREF will be submitted to Provincial and National Treasury immediately after being considered by the Council as required by MFMA.

2.1.2 Budget-related policies

All budget-related policies were considered in developing the draft 2021/2022 MTREF:

2.1.3 Alignment with national & provincial priorities

The MTREF is in line with National and Provincial objectives. The successful alignment of Ndwedwe municipality service delivery priorities, as captured in its IDP, with these objectives is critical in achieving its developmental goals. The MTREF is also formulated in a manner that supports Ndwedwe municipality long-term sustainable growth and development.

The following priorities are National Government's framework to enhance the social, cultural, and economic welfare of all South Africans:

- Protect the poor
- Build capacity for long-term growth
- Sustain employment growth

- Maintain sustainable debt level
- Address sector barriers to growth and investment

2.1.4 Key deadlines

The budget time schedule for compilation of the DRAFT MTREF was approved in August 2019, in compliance with the MFMA's requirements.

The budget timetable is necessary to ensure integration between the IDP and the MTREF. It also ensures a balanced budget is tabled to Council for consideration and approval.

2.1.5 Importance of producing a balanced and credible MTREF.

A credible MTREF is one that is highly achievable, as it is in line with all agreed service delivery and performance targets. It contains revenue and expenditure projections that are consistent with current and past performance. These projections are also supported by documented evidence of future assumptions. Only activities that are consistent with the revised IDP are funded. This ensures that the IDP remains realistically achievable given Ndwedwe municipality financial constraints. A credible MTREF does not jeopardize financial viability, because it ensures that the financial position is maintained within generally accepted prudent limits and that obligations can be met. It also provides the Head of Department with appropriate levels of delegation sufficient to meet their financial management responsibilities.

It must also be stated that the implementation of mSCOA requires a direct link between the IDP and Budget and it is therefore vital that all stakeholders respect the various timeframes. The nature of the process results in subsequent delays should any one of the components be delayed.

2.1.6 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e., in March) a time schedule that sets out the process to revise the IDP and prepare the budget.

- **August 2020** – Joint strategic planning session of the Financial Services Management team and the Budget Office. Aim: to assess Council's 2019/2209 Financial Statements and current year's (2020/2021) revised results and capacity, to determine the impact on future strategies and budgets.

- **September 2020** – Issuing of the 2020/2021 Medium Term Revenue and Expenditure Framework (MTREF) guideline memorandum and budget policy document addressing various budget assumptions, internal budget processes, policies, and requirements in terms of the Municipal Budgeting and Reporting Regulations etc.
- **January 2021** – The Council considered the 2020/2021 Mid-year Assessment Review Report.
- **01 to 20 February 2021** – Provincial Treasury’s 2020/2021 Mid-year Budget and Performance Assessment visit.
- **26 February 2021** – Council considered the 2020/2021 Adjusted Budget.
- **31 March 2021** - Tabling in Council of the Draft 2021/2022 IDP and 2021/2022 MTREF for public consultation.
- **April 2021** – Public consultation on draft 2021/2022 IDP and draft 2021/2022 MTREF.
- **30 April 2021** - Closing date for written comments on the draft 2021/2022 IDP and draft 2021/2022 MTREF.
- **01 to 18 May 2021** – finalisation of the 2021/2022 IDP and 2021/2022 MTREF, taking into consideration comments received from the public, from National Treasury, and updated information from the most recent Division of Revenue Act and financial framework: and,
- **31 May 2021** - Tabling of the 2021/2022 MTREF before the Council for consideration and approval.

There have been no significant deviations from the key dates set out in the Budget Time Schedule adopted by Council as at to date. However, the Covid -19 might affect the planned budget process for 2021/2022 financial year as Consequently the municipal will follow all guides line which will be issued by the National treasury with regards to the way forward in ensuring that the 2021/2022 budget process plan is achievable.

2.1.7 IDP and Service Delivery and Budget Implementation Plan

Integrated Development Planning (IDP) is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

Through the IDP, Government priorities are translated in our strategic framework and escalated to Strategic Goals, Strategic Objectives, Strategies, Key Performance indicators, which are then further developed into programs and projects. This directly informs the municipal Service

Delivery and Budget Implementation Plan. This fair alignment between IDP and Government priorities is confirmed through our budgeting, which takes into serious consideration the strategic objectives when budgeting.

With the compilation of the 2021/2022 MTREF, each department/function had to review the business plan process, including the setting of priorities and targets after reviewing the mid-year and second quarter performance against the 2020/2021 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.8 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2021/2022 MTREF, 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 2020/2021 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2020/2021 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for service.
- Improved and sustainable service delivery
- The impact of Covid 19 of the consumers affordability to pay for rates and other services provided by the municipality.

2.1.9 Community Consultation

- The 2021/2022 MTREF that will be tabled before Council on 31st March 2021 will be presented to the community for consultation.
- An insert will be included in the newspapers highlighting the Tabled 2021/2022 Medium Term Revenue and Expenditure Framework (MTREF) thereby inviting comments from the public and other stakeholders.

- Furthermore, the Executive Committee will approve a schedule of public meetings to be held at various locations to provide an opportunity for the public to comment on the budget however this will be done in line with Covid 19 regulations where a smaller target will be conserved to ensure that this process does not led to spreading of the virus.
- A meeting with AmaKhosi and their members of traditional council will also be scheduled to strengthen Council's relationship with traditional leaders.
- The administrative planning process also took into consideration the cluster approach that was used in the previous years' budget public participation. The advantage and benefit for the use of clusters is that it creates a shared sense of belonging amongst the citizens as well as an understanding of the diverse issues and needs amongst the community of the municipality. In this regard again a smaller audience will be targeted to ensure that the municipality is operating with the Government covid 19 guidelines.
- The media platform will also be utilised to ensure that consultation process is achieved and all relevant stakeholders in consultant for the Council to approved a well consultant budget.

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Integrated Development Plan (IDP) is a strategic document that clearly outlines the municipality's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning. It can also be described as the approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

The draft 2021/2022 MTREF is linked to the IDP as the review was an aligned process of the budget as per the budget timetable as approved by council in August 2020. This has translated to the plan of the municipality for the year, which is the service delivery and budget implementation plan.

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. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The IDP drives the strategic development of the Municipality. The Municipality's budget is fully influenced by the strategic objectives identified in the IDP. The service delivery budget implementation plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets. The performance of the Municipality is tabled in its Annual report.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and

- The National Priority Outcomes.

Refer to table SA4, SA5, SA6 and SA7 which highlights the IDP's five strategic objectives for the 2021/2022 MTREF and further planning refinements that have directly informed the compilation of the budget:

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

A municipality's Performance Management System is a mechanism to monitor, review and improve the implementation of its IDP and monitor progress made in achieving set goals as stipulated in the IDP. Effective service delivery relies on the IDP, effective utilisation of scarce resources and the PMS system.

The IDP is developed in conjunction with the community and a realistic budget and is reviewed annually. The IDP will consider, inter alia: -

- Existing conditions, problems and resources available for development
- Economic and social development needs of the community
- It sets a framework for land use, infrastructure and services.

The Service Delivery and Budget Implementation Plan is the tool used to align the budget to the IDP. The focus of the SDBIP is both Financial and non-financial measurable performance objectives in the form of service delivery targets.

The municipality 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 organizational performance which in turn is directly linked to individual employees' performance. At this stage performance management applies to Section 57 employees and the municipality intends to cascade it to junior employees.

An organisation scorecard is developed after taking into consideration the aspects as indicated/highlighted in the IDP and SDBIP. This scorecard will be used to monitor the performance of the Municipality.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The Ndwedwe municipalities budgeting process is guided and governed by relevant legislation, frameworks strategies and budget related policies.

2.4.1 Rates Policy

The Rates Policy applies to all currently rated properties and covers exemptions, rebates and reductions. This policy ensures that all new rates are tabled to Council for approval, before being implemented. The Rates Policy is in line with MPRA.

2.4.2 Credit Control & Debt Collection Policy

The Credit Control & Debt Collection Policy, adopted by Council, focuses on all outstanding debt, and aims to promote a culture of good payment habits amongst debtors. Debtors have a responsibility towards the payment of their accounts. This policy implements an appropriate, innovative system of debt collection, which is also cost-effective. The aim of this policy is to ensure that debt is collected in the shortest possible time, without any interference in the process, thereby reducing all municipal debt.

The Credit Control & Debt Collection Policy ensures a sensitive, transparent and equitable approach to debt recovery. It prescribes methods to effectively and efficiently deal with those who default on payments, whilst taking indigent consumers into consideration and keeping costs to a minimum.

2.4.3 Indigent Policy

The objective of the Indigent Policy is to ensure the following: -

- The provision of basic services to indigent households in a manner that is sustainable, within the financial and administrative capacity of the Council.
- To provide procedures and guidelines for the subsidisation of basic service charges to its indigent households, using Council's budgetary provisions, according to prescribed guidelines.

2.4.4 Tariff Policy

In terms of Section 74 of the Local Government Municipal Systems Act 2000, a municipal Council must adopt and implement a Tariff Policy. The Tariff Policy is the policy for levying fees; rates or taxes for the municipal services provided by Ndwedwe Municipality. Tariff

calculations are based on the nature of the service provided and treat all users of municipal services equally, by ensuring that consumers pay in proportion to the number of services consumed.

This policy covers the Tariff Determination Process and the Classification and Pricing Strategies of Services. It highlights the fact that all proposed tariffs are presented to the community of Ndwedwe Municipality during the Council's consultation process in respect of the MTREF. The aims of this policy are:

- To promote local economic development' growth and competitiveness
- To cater for the indigent households whilst keeping rates affordable
- To ensure financial sustainability of service delivery

2.4.5 Cash Management & Investment Policy

In terms of Section 13 (2) of the MFMA, a municipality must adopt a policy dealing with cash management and investments. The Investment & Cash Management Policy ensures that all investments are made in an effective and efficient manner and generate the best return for the municipality. This policy ensures that all investments made consider the preservation and safety of the principal and appropriate liquidity.

2.4.7 Supply Chain Management Policy

A municipality is required in terms of Section 111 of the MFMA to develop and implement a Supply Chain Management Policy. The comprehensive Supply Chain Management Policy governs, inter alia, the procurement of goods and services; disposal of goods and selecting contractors to aid the Municipality in service delivery.

2.4.8 Virement Policy

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA.

2.4.9 Budget Policy

The Budget Policy sets out the principles followed by municipality in drafting the MTREF. This policy covers the responsibilities of the Mayor; the MM; the CFO and other senior managers in preparing the MTREF. The operating and capital budget; budget funding; budget transfers; unavoidable expenditure and the budget preparation process are covered extensively.

2.4.10 Funding & Reserve's Policy

The Funding & Reserves Policy is aimed at ensuring that the municipality procures sufficient and cost-effective funding to achieve its capital expenditure objectives in an optimum manner. This policy must be adhered to in the procurement of funding, whilst considering the maturity profile of municipalities assets and liabilities.

This policy sets out the assumptions and methodology for estimating:

- Revenue;
- Revenue that will not be collected;
- Proceeds from the disposal of assets;
- Funds to be set aside in Reserves (excluding Reserves held in order to comply with GRAP Standards)

2.4.11 Asset Management Policy

The Fixed Asset Management Policy governs the acquisition, utilisation, control, maintenance, and disposal of assets. This policy ensures that assets are managed in an economical, effective, and efficient manner throughout their life cycles, to achieve the maximum level of service.

2.4.12 Leave Management Policy

The purpose of this policy is to regulate the taking of leave by employees of Ndwedwe Local Municipality, having regard to the relevant statutory provisions regarding leave and the relevant Collective Agreement insofar as it relates to leave.

2.4.13 Disposal Policy

The purpose of this policy is to provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant, or obsolete assets. This disposal system is subject to sections 14 and 90 of the Municipal Finance Management Act (56, 2003).

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

In the compilation of the draft MTREF, the following influencing factors were considered:

Normal inflationary increases and economic pressures, especially

- Higher fuel prices.
- Consumer Price Index inflations – impacting the general tariff increases levelled by the municipality.
- Higher unemployment rate –
- Global Economic status – thus hindering the consumer's ability to timeously settle debt.

A conservative approach is used for projecting revenue.

Zero-based budgeting for 2021/2022

- Zero-based budgeting is defined as a process where every Business Unit function is reviewed comprehensively and each expenditure must be approved, rather than increased.
- It requires the budget request to be justified in complete detail by each Department rather than just increasing its expenditure from the previous year.

The budgeted figure includes the normal increase of 6.5% in terms of existing salary agreement for both (filled and vacant posts) plus 2.5% in relation to notch for those employees still qualify for notch increases.

2.5.1 Significant External Factors

- Slow economic growth in our country
- High unemployment rates
- Increasing fuel prices
- Significant fluctuations in gold, platinum, and coal minerals
- Currency fluctuations
- GDP estimates for the duration of the final MTREF
- Covid 19 pandemic

2.5.2 Basis and Methodology for Forecasting Budget Projections

In terms of Chapter 4, Section 16, of the MFMA, the operational and capital budgets for the 2021/2022 financial year, and the two subsequent years, attached hereto have been prepared

according to the Municipal Budget and Reporting Regulations as gazetted in Government Gazette No. 32141 published on 17 April 2009.

2.6 OVERVIEW OF BUDGET FUNDING

Section 18 (1) of the MFMA states that the annual budget may only be funded from the following: -

- Realistically anticipated revenue to be collected.
- Cash backed accumulated funds from previous years' surplus funds not committed for other purposes, and
- Borrowed funds, but only for the capital budgets.

Table 8: Below table indicates the total expenditure for Ndwedwe local municipality 2021/2022 MTREF.

Vote Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand					
Total Capital Expenditure	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00
Total Operating Expenditure	197 831 506.00	223 128 801.00	200 989 707.00	209 373 099.00	209 866 806.00
TOTAL EXPENDITURE	283 153 772.00	311 525 015.00	284 630 707.00	271 550 099.00	271 566 806.00

2.6.1 Funding sources

The funding model of the 2021/2022 MTREF is dependent on the following main revenue categories:

Table 9: Funding sources over 2021/2022 MTREF

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand					
Revenue By Source					
Property rates	18 988 936.00	18 988 936.00	19 748 494.00	20 577 929.00	21 483 360.00
Service charges - refuse revenue	100 000.00	33 478.00	100 000.00	104 200.00	108 785.00
Rental of facilities and equipment	605 000.00	512 955.00	533 473.00	555 878.00	580 337.00
Interest earned - external investments	11 000 000.00	6 000 000.00	6 500 000.00	10 000 000.00	10 440 000.00
Interest earned - outstanding debtors	800 000.00	870 926.00	941 852.00	981 410.00	1 024 592.00
Licences and permits	1 000.00	1 500.00	1 500.00	1 563.00	1 632.00
Transfers and subsidies	165 845 000.00	195 622 000.00	172 688 000.00	179 229 000.00	175 727 000.00
Other revenue	558 000.00	1 158 000.00	555 500.00	578 831.00	604 301.00
Total Revenue (excluding capital transfers)	197 897 936.00	223 187 795.00	201 068 819.00	212 028 811.00	209 970 007.00

2.6.2 Tariff of charges

The Tariff of Charges is proposed to be implemented on 01 July 2021. This document provides for major services and lists minor and miscellaneous tariffs – including the hiring of municipal facilities and town planning. An intensive and rigorous tariff setting process is undertaken to ensure the compilation of a credible and realistic budget.

2.6.3 Investments

Ndwedwe Local Municipality has funds held in bank deposits, including the depositing of grant funding into ring fenced call deposit accounts to improve management of grant funding.

The cash and investments of Ndwedwe local municipality currently amount to R147.6 million as of 28 February 2021. It should be noted that these funds are committed as conditional grants or operating funds.

2.6.4 Government grant allocations

National and Provincial Allocations:

The amended DORA allocations that will be granted to Ndwedwe Municipality consist of:

Table 10: National and Provincial Allocations:

Description	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Provincialisation of libraries	935 000.00	981 000.00	981 000.00
Community Library Services Grant	975 000.00	1 023 000.00	1 023 000.00
Expanded Public Work Programme Grant	2 412 000.00		
Local Government Finance Management	3 000 000.00	3 100 000.00	3 100 000.00
Integrated National Electrification Programme	9 100 000.00	10 000 000.00	12 000 000.00
Municipal Infrastructure Grant (MIG)	31 331 000.00	33 627 000.00	35 000 000.00
Local Government Equitable Share	165 366 000.00	174 125 000.00	170 623 000.00
TOTAL GRANTS	213 119 000.00	222 856 000.00	222 727 000.00

- All the above allocations, excluding equitable share, are conditional grants. This means that they have been allocated to Ndwedwe Municipality for a specific purpose and may not be used to fund any other expenditure.
- Once all conditions are met, these allocations are transferred to the Statement of Financial Performance to match the expenditure incurred.

- This follows the relevant GRAP standards. The transfers indicated on the Statement of Financial Performance are, therefore, accounting entries and do not actually represent cash on hand.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grant funding and expenditure is covered in detail in Supporting Tables SA18, SA19 and SA20. However, can be summarized as follows:

Table 11: expenditure on allocations and grant programmes

Description	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Provincialisation of libraries	935 000.00	981 000.00	981 000.00
Community Library Services Grant	975 000.00	1 023 000.00	1 023 000.00
Expanded Public Work Programme Grant	2 412 000.00		
Local Government Finance Management	3 000 000.00	3 100 000.00	3 100 000.00
Integrated National Electrification Programme	9 100 000.00	10 000 000.00	12 000 000.00
Municipal Infrastructure Grant (MIG)	31 331 000.00	33 627 000.00	35 000 000.00
Local Government Equitable Share	165 366 000.00	174 125 000.00	170 623 000.00
TOTAL GRANTS	213 119 000.00	222 856 000.00	222 727 000.00

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The budget related to funds made by the municipality amounts to R3,3million which can be explain as follows;

- R1 million for external studies assistance for those learners in need of the financial assistance as per municipal study assistance.
- R750 thousands for free basic services (electricity)
- R1.1 million related to Indigent Burial Assistance and,
- R600 thousand related to "Disaster Management (Emergency Relief)

2.9 COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

The budget allocation for employee related cost for municipal staff including councillors amounts to R89.5 million for 2021/2022 MTREF. This amount includes posts as per the current staff establishment as well as 6.5% of salary anticipated increment and 2.5 per cent applicable to the notch increase for those employees that still within their notches. Below are the supporting tables that indicates how the salaries and allowances are allocated.

Table 12: Councillor and board member allowances and employee benefits

KZN293 Ndwedwe - Supporting Table SA22 Summary councillor and staff benefits					
Summary of Employee and Councillor remuneration	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Councillors (Political Office Bearers plus Other)					
Basic Salaries and Wages	12 667 352.00	12 667 352.00	13 174 045.00	13 727 356.00	14 331 358.00
Pension and UIF Contributions	1 102 301.00	1 102 301.00	1 146 393.00	1 194 542.00	1 247 101.00
Medical Aid Contributions	468 302.00	468 302.00	487 035.00	507 490.00	529 820.00
Motor Vehicle Allowance	145 220.00	145 220.00	151 029.00	157 372.00	164 296.00
Cellphone Allowance	1 720 694.00	1 720 694.00	1 789 521.00	1 864 683.00	1 946 728.00
Other benefits and allowances	142 840.00	142 840.00	148 554.00	154 793.00	161 604.00
Sub Total - Councillors	16 246 709.00	16 246 709.00	16 896 577.00	17 606 236.00	18 380 907.00
Senior Managers of the Municipality					
Basic Salaries and Wages	3 686 145.00	3 491 954.00	3 891 438.00	4 054 879.00	4 233 293.00
Pension and UIF Contributions	10 710.00	10 710.00	10 710.00	11 160.00	11 646.00
Medical Aid Contributions	143 359.00	126 476.00	126 476.00	131 788.00	137 588.00
Performance Bonus	650 000.00	-	-	-	-
Motor Vehicle Allowance	1 214 760.00	1 207 267.00	1 343 027.00	1 399 431.00	1 461 007.00
Sub Total - Senior Managers of Municipality	5 704 974.00	4 836 407.00	5 371 651.00	5 597 258.00	5 843 534.00
Other Municipal Staff					
Basic Salaries and Wages	43 668 344.00	41 327 838.00	47 208 469.00	49 191 226.00	51 355 640.00
Pension and UIF Contributions	7 300 893.00	7 424 067.00	8 367 372.00	8 718 801.00	9 102 429.00
Medical Aid Contributions	2 694 918.00	2 881 863.00	2 881 863.00	3 002 900.00	3 135 027.00
Performance Bonus	2 817 451.00	2 487 678.00	3 820 240.00	3 980 692.00	4 155 843.00
Motor Vehicle Allowance	1 721 662.00	1 698 450.00	1 875 914.00	1 954 702.00	2 040 710.00
Housing Allowances	240 149.00	259 507.00	275 801.00	287 384.00	300 028.00
Other benefits and allowances	1 073 865.00	1 052 155.00	1 059 776.00	1 104 287.00	1 152 876.00
Payments in lieu of leave	540 000.00	1 526 660.00	1 608 390.00	1 675 943.00	1 749 684.00
Long service awards	440 000.00	172 000.00	172 000.00	179 224.00	187 109.00
Sub Total - Other Municipal Staff	60 497 282.00	58 830 218.00	67 269 825.00	70 095 159.00	73 179 346.00
Total Parent Municipality	82 448 965.00	79 913 334.00	89 538 053.00	93 298 653.00	97 403 787.00

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 14: Monthly targets for revenue, expenditure

KZN293 Ndwedwe - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand																
Revenue By Source																
Property rates		1 646	1 646	1 646	1 646	1 646	1 646	1 646	1 646	1 646	1 646	1 646	1 646	19 748	20 578	21 483
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		8	8	8	8	8	8	8	8	8	8	8	8	100	104	109
Rental of facilities and equipment		44	44	44	44	44	44	44	44	44	44	44	44	533	556	580
Interest earned - external investments		542	542	542	542	542	542	542	542	542	542	542	542	6 500	10 000	10 440
Interest earned - outstanding debtors		78	78	78	78	78	78	78	78	78	78	78	78	942	981	1 025
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits		0	0	0	0	0	0	0	0	0	0	0	0	2	2	2
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		14 391	14 391	14 391	14 391	14 391	14 391	14 391	14 391	14 391	14 391	14 391	14 391	172 688	179 229	175 727
Other revenue		46	46	46	46	46	46	46	46	46	46	46	46	556	579	604
Gains		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contribution)		16 756	16 756	16 756	16 756	16 756	16 756	16 756	16 756	16 756	16 756	16 756	16 756	201 069	212 029	209 970
Expenditure By Type																
Employee related costs		6 053	6 053	6 053	6 053	6 053	6 053	6 053	6 053	6 053	6 053	6 053	6 053	72 641	75 692	79 023
Remuneration of councillors		1 408	1 408	1 408	1 408	1 408	1 408	1 408	1 408	1 408	1 408	1 408	1 408	16 897	17 606	18 381
Debt impairment		250	250	250	250	250	250	250	250	250	250	250	250	3 000	3 126	3 264
Depreciation & asset impairment		1 958	1 958	1 958	1 958	1 958	1 958	1 958	1 958	1 958	1 958	1 958	1 958	23 496	24 482	25 499
Finance charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory consumed		103	103	103	103	103	103	103	103	103	103	103	103	1 240	1 292	1 349
Contracted services		3 620	3 620	3 620	3 620	3 620	3 620	3 620	3 620	3 620	3 620	3 620	3 620	43 434	45 258	41 196
Transfers and subsidies		288	288	288	288	288	288	288	288	288	288	288	288	3 450	3 595	3 753
Other expenditure		3 069	3 069	3 069	3 069	3 069	3 069	3 069	3 069	3 069	3 069	3 069	3 069	36 832	38 379	38 436
Losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		16 749	16 749	16 749	16 749	16 749	16 749	16 749	16 749	16 749	16 749	16 749	16 749	200 990	209 431	210 900
Surplus/(Deficit)		7	7	7	7	7	7	7	7	7	7	7	7	79	2 598	(930)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		2 611	2 611	2 611	2 611	2 611	2 611	2 611	2 611	2 611	2 611	2 611	2 611	31 331	33 267	35 000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 617	31 410	35 865	34 070
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 618	2 617	31 410	35 865	34 070

Table 15: Budget monthly capital expenditure by municipal vote

KZN293 Ndwedwe - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Multi-year expenditure to be appropriated	1															
Vote 1 - Finance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager's Office		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Economic Development and Planning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated																
Vote 1 - Finance		25	25	25	25	25	25	25	25	25	25	25	25	300	300	350
Vote 2 - Municipal Manager's Office		21	21	21	21	21	21	21	21	21	21	21	21	250	350	300
Vote 3 - Community and Social Services		283	283	283	283	283	283	283	283	283	283	283	283	3 400	1 850	400
Vote 4 - Corporate services		142	142	142	142	142	142	142	142	142	142	142	142	1 700	1 200	750
Vote 5 - Economic Development and Planning		104	104	104	104	104	104	104	104	104	104	104	104	1 250	850	400
Vote 6 - Technical Services		6 187	6 187	6 187	6 187	6 187	6 187	6 187	6 187	6 187	6 187	6 187	6 187	74 241	56 127	57 000
Vote 7 - Executive and Council		208	208	208	208	208	208	208	208	208	208	208	208	2 500	1 500	2 500
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	2	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	83 641	62 177	61 700
Total Capital Expenditure	2	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	6 970	83 641	62 177	61 700

2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Ndwedwe Municipality does not have the contracts that are awarded beyond the medium-term revenue and expenditure framework (three years)..

2.12 CAPITAL EXPENDITURE DETAILS

Table 16: The following table present details of the municipality capital expenditure programme,

Vote Description	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Capital expenditure - Vote					
Single-year expenditure to be appropriated					
Finance	250 000.00	417 657.00	300 000.00	300 000.00	350 000.00
Municipal Manager's Office	250 000.00	650 000.00	250 000.00	350 000.00	300 000.00
Community and Social Services	3 100 000.00	3 280 000.00	3 400 000.00	1 850 000.00	400 000.00
Corporate services	7 037 200.00	7 957 200.00	1 700 000.00	1 200 000.00	750 000.00
Economic Development and Planning	250 000.00	250 000.00	1 250 000.00	850 000.00	400 000.00
Technical Services	73 735 066.00	75 141 357.00	74 241 000.00	56 127 000.00	57 000 000.00
Executive and Council	700 000.00	700 000.00	2 500 000.00	1 500 000.00	2 500 000.00
Total Capital Expenditure - Vote	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00
Capital Expenditure - Functional					
Governance and administration	8 237 200.00	9 724 857.00	4 750 000.00	3 350 000.00	3 900 000.00
Executive and council	950 000.00	1 350 000.00	2 750 000.00	1 850 000.00	2 800 000.00
Finance and administration	7 287 200.00	8 374 857.00	2 000 000.00	1 500 000.00	1 100 000.00
Internal audit	-	-	-	-	-
Community and public safety	3 100 000.00	3 280 000.00	3 400 000.00	1 850 000.00	400 000.00
Community and social services	3 100 000.00	3 280 000.00	3 400 000.00	1 850 000.00	400 000.00
Economic and environmental services	73 985 066.00	75 391 357.00	75 491 000.00	56 977 000.00	57 400 000.00
Planning and development	42 064 411.00	34 230 385.00	43 836 686.00	34 477 000.00	35 400 000.00
Road transport	31 920 655.00	41 160 972.00	31 654 314.00	22 500 000.00	22 000 000.00
Total Capital Expenditure	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00
Total Operating Expenditure	197 831 506.00	223 128 801.00	200 989 707.00	209 373 099.00	209 866 806.00
TOTAL EXPENDITURE	283 153 772.00	311 525 015.00	284 630 707.00	271 550 099.00	271 566 806.00
Funded by:					
National Government	29 630 000.00	29 629 998.00	31 331 000.00	33 627 000.00	35 000 000.00
Internally generated funds	55 692 266.00	58 766 216.00	52 310 000.00	28 550 000.00	26 700 000.00
Total Capital Funding	85 322 266.00	88 396 214.00	83 641 000.00	62 177 000.00	61 700 000.00

2.13 LEGISLATION COMPLIANCE STATUS

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

IDP

The 2021/2022 IDP review process is currently underway. All comments made by the community and key stakeholders are considered in reviewing the IDP.

In-year reporting

Reporting to Provincial Treasury and National Treasury in electronic format was fully complied with monthly. Section 71 reporting to the Executive Mayor (within 10 working days) is also done on monthly basis.

Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme. However, now is current in the process of employing new interns since the contract of interns that started the 2020/2021 financial has expired.

Budget and Treasury Office

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

Audit Committee

An Audit Committee has been established and is fully functional.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2021/2022 MTREF in May 2021 to be directly aligned and informed by the 2021/2022 MTREF.

Annual Report

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

MFMA Training

The MFMA training module in electronic format is presented at the Municipality and training is ongoing.



2.14 OTHER SUPPORTING DOCUMENTS

2.15 MUNICIPAL MANAGERS QUALITY CERTIFICATION



MUNICIPAL MANAGERS QUALITY CERTIFICATION



2021/2022 DRAFT ANNUAL BUDGET QUALITY CERTIFICATE

I, MF, Hadebe the Municipal Manager of Ndwedwe local Municipality, hereby certify that the 2021/2022 Draft Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act No. 56 of 2003 and the regulations made under the Act.

MF Hadebe

The Municipal Manager of Ndwedwe Municipality (KZN 293)

Signature

Date