

INKOSI LANGALIBALELE MUNICIPALITY



Inkosi Langalibalele

LOCAL MUNICIPALITY · UMKHANDLU WENDAWO

DRAFT FINAL BUDGET 2022/23

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2022 that although the world economy remained troubled, there were signs of improvement in the economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the iNkosi Langalibalele Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

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 sustainable municipal services are provided economically and equitably to all communities.

The 2022/23 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
 - addressing issues of financial sustainability, and
 - Facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The Draft final 2022/23 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the Draft budget is as follows:

Total operating income – R723 735 640

Total Operating expenditure – R639 459 950

Operating Surplus – R84 275 689

Capital Transfers – R60 081 675

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, INEP, Energy Efficiency Demand Management Grant, and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of iNkosi Langalibalele thus achieving a better life for all.

HIS WORSHIP, THE MAYOR

COUNCILLOR MT MYEZA

1.2 Council Resolutions

On 31 March 2022 the Council of Inkosi Langalibalele Local Municipality will meet in the Council Chambers of Inkosi Langalibalele Municipality to consider the Draft Final annual budget of the municipality for the financial year 2022/23. The Council approved and adopted the following resolutions:

1. The Council of Inkosi Langalibalele Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The Draft annual budget of the municipality for the financial year 2022/23 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and

- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
 - 1.2.4. Asset management as contained in Table 26; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Inkosi Langalibalele Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2022:
 - 2.1. the tariffs for property rates;
 - 2.2. the tariffs for electricity; and
 - 2.3. the tariffs for solid waste services.
3. To give proper effect to the municipality's annual budget, the Council of Inkosi Langalibalele Local Municipality approves:
 - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 3.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

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

The Municipality's 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 so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore 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 consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 112 and 115 were used to guide the compilation of the 2022/23 MTREF

Draft Budget Assumptions

In terms of National Treasury Circular 115, the annual inflation projections are as follows:

2022/23- 4.8%
 2023/24- 4.4%
 2024/25- 4.5%

In provision of services, the municipality endeavors, at all times, to ensure that services are provided in a cost effective manner, a manner that will not impose unnecessary burden on the ratepayers. However, in light of the ongoing backlog which dates back to centuries ago, the municipality tries to extend services to areas which were previously neglected. This will be gradually phased in every year. To extend services to previously disadvantaged communities while at the same time, the municipality's financial sustainability and viability is preserved.

It is the municipality's view that the above increases will enable services to be extended to other previously disadvantaged areas over the MTREF

Electricity increase has been effected as 4.8% as per circular 115 as Nersa has not pronounced itself in this regard.

The main challenges experienced during the compilation of the 2022/23 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Ageing and poorly maintained roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable; and

KZN237 Inkosi LangaLalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Total Revenue (excluding capital transfers and contributions)		349 670	723 879	705 259	677 636	642 320	642 320	553 859	723 736	755 322	795 702
Total Expenditure		592 702	556 854	595 267	615 973	589 319	589 319	376 698	639 460	665 706	706 245
Surplus/(Deficit)		(243 032)	167 026	109 992	61 663	53 000	53 000	177 161	84 276	89 616	87 457
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	43 734	51 736	37 848	37 848	37 848	29 926	67 626	56 495	60 818
Surplus/(Deficit) for the year		(243 032)	210 760	161 727	99 511	90 848	90 848	207 088	151 901	146 111	148 275

The following budget principles and guidelines directly informed the compilation of the 2022/23 MTREF:

- The 2022/23 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2022/23 Draft annual budget;

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2022/23 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2022/23 MTREF

KZN237 Inkosi Langalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Total Revenue (excluding capital transfers and contributions)		349 670	723 879	705 259	677 636	642 320	642 320	553 859	723 736	755 322	795 702
Total Expenditure		592 702	556 854	595 267	615 973	589 319	589 319	376 898	639 460	665 706	708 245
Surplus/(Deficit)		(243 032)	167 026	109 992	61 663	53 000	53 000	177 161	84 276	89 616	87 457
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	43 734	51 736	37 848	37 848	37 848	29 926	67 626	56 495	60 818
Surplus/(Deficit) for the year		(243 032)	210 760	161 727	99 511	90 848	90 848	207 088	151 901	146 111	148 275

Total operating revenue equals to R723.7 million for the 2022/23 financial year, R755.3 million and R795.7 million for the outer years. For the two outer years, operational revenue will increase by 5% and 5per cent respectively, equating to a total revenue growth of R113 million over the MTREF when compared to the 2022/23 financial year.

Total operating expenditure for the 2022/23 financial year has been appropriated at R639.4 million and translates into a budgeted surplus of R84.2 million. The operating surplus for the two outer years increases by R5.3 million and R2.1 million, respectively.

The capital budget of R67.6 million for 2022/23.

1.4 Operating Revenue Framework

For Inkosi Langalibalele 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 is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- 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; and
- Tariff policies of the Municipality.

The following table is a summary of the 2022/23 MTREF (classified by main revenue source):
Table 2 Summary of revenue classified by main revenue source

KZN237 Inkosi Langalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source											
Property rates	2	108 044	156 660	211 176	104 729	106 562	106 562	157 284	112 984	117 955	123 263
Service charges - electricity revenue	2	231 427	223 386	235 426	272 019	268 804	268 804	177 413	281 707	294 102	307 336
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	8 100	10 205	10 551	8 699	9 798	9 798	6 732	10 268	10 720	11 203
Rental of facilities and equipment		197	1 442	612	1 026	1 026	1 026	483	1 075	1 122	1 173
Interest earned - external investments		1 298	2 009	2 035	2 620	2 492	2 492	1 669	2 642	2 800	2 968
Interest earned - outstanding debtors		23	44 792	0	50 707	25 354	25 354	0	53 141	55 480	57 976
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		25 848	3 980	4 157	24 251	12 313	12 313	200	24 197	25 262	26 399
Licences and permits		3 968	3 159	2 855	2 642	4 025	4 025	3 113	4 219	4 404	4 602
Agency services		93	511	431	-	50	50	35	52	55	57
Transfers and subsidies		175 997	284 685	236 982	210 197	210 197	210 197	203 794	231 671	241 564	258 783
Other revenue	2	2 099	365	1 033	746	1 699	1 699	3 137	1 780	1 858	1 942
Gains		(50 902)	(7 315)	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		506 191	723 879	705 259	677 636	642 320	642 320	553 859	723 736	755 322	795 702

Total operating income has increased from the Adjustments budget of R642.3 million to R723.7 million. Included in the operating revenue is Transfers and Subsidies from the National and Provincial Government, which include Equitable Share and a MIG portion that will fund operational expenditure.

Property Rates

A new valuation roll was implemented in the last financial year and it resulted in an increase in Property Rates revenue. Revenue from Property Rates has increased from R106.7 million in 2021/22 to R112.9 million in 2022/23. As indicated above, the Property Rates tariff will increase by 6.3% rather than 4.8% of the inflation for the reason mentioned above. The municipality is looking at gradually extending services to previously neglected areas and the above inflation increase will make a difference, albeit small.

Services Charges Electricity

In respect of Services charges from Electricity, the municipality budgeted for an increase from R268.8 million to R281.7 million. This is an increase of 4.8% as directed by circular 115. A percent increase approved by NERSA has not been announced.

Services Charges Refuse

Revenue from Services charges of Refuse Removal has increased by 4.8% which is an increase from R9.7 million to R10.2 million. This increase is equal the annual inflation target of 4.8% and as indicated above, it is intended at accelerating service delivery while the municipality remains financially sustainable.

Rental of facilities and equipment

Rental of facilities and equipment has increased from R1 025 922 to R1 075 166. The revenue generated during the 6 months period ending December 2021 has been used as the basis for the

calculation and a 4.8% increase in tariffs has been applied. As a secondary revenue source, revenue from rental of facilities does go towards preserving the municipality's financial viability and making additional revenue for services available.

Interest Earned on External Investments

The actuals for the 6 months period ending December 2021 have been used to determine the budget for this item and a 6% increase has been added for the same reason mentioned above.

Interest on Outstanding debtors

In the adjustments budget of 2021/22, interest was budgeted was cut to 50% of the original budget due system challenges. In the new current year, a full year budget has been provided with an increase of 210%.

Fines, Penalties and Forfeits

Like the other revenue sources, this item has increased by 4.8% from the adjustments budget to the draft budget.

Licenses and Permits

The actuals for the 6 months period ending December 2021 have been used to determine the budget for this item and a 4.8% increase has been added for the same reason mentioned above.

Other Income

The actuals for the 6 months period ending December 2021 have been used to determine the budget for this item and a 4.8% increase has been added for the same reason mentioned above.

Table 3 Percentage growth in revenue by main revenue source

KZN237 Inkosi Langalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	Ref	Current Year 2021/22		2022/23 Medium Term Revenue & Expenditure Framework				
		Adjusted Budget		Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25		
R thousand	1							
Revenue By Source								
Property rates	2	106 562	6.0%	112 984	4.4%	117 955	4.5%	123 263
Service charges - electricity revenue	2	268 804	4.8%	281 707	4.4%	294 102	4.5%	307 336
Service charges - water revenue	2	-		-		-		-
Service charges - sanitation revenue	2	-		-		-		-
Service charges - refuse revenue	2	9 798	4.8%	10 268	4.4%	10 720	4.5%	11 203
Rental of facilities and equipment		1 026	4.8%	1 075	4.4%	1 122	4.5%	1 173
Interest earned - external investments		2 492	6.0%	2 642	6.0%	2 800	6.0%	2 968
Interest earned - outstanding debtors		25 354	109.6%	53 141	4.4%	55 480	4.5%	57 976
Dividends received		-		-		-		-
Fines, penalties and forfeits		12 313	96.5%	24 197	4.4%	25 262	4.5%	26 399
Licences and permits		4 025	4.8%	4 219	4.4%	4 404	4.5%	4 602
Agency services		50	4.8%	52	4.4%	55	4.5%	57
Transfers and subsidies		210 197	10.2%	231 671	4.3%	241 564	7.1%	258 783
Other revenue	2	1 699	4.8%	1 780	4.4%	1 858	4.5%	1 942
Gains		-		-		-		-
Total Revenue (excluding capital transfers and contributions)		642 320	12.7%	723 736	4.4%	755 322	5.3%	795 702

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2022/23 financial year, revenue from rates and services charges totaled R394 million or 54.5 per cent. This increases to R412 million and R430 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Operating grants and transfers totals R231.7 million in the 2022/23 financial year and steadily increased to R258.7 million by 2024/25. The capital grants include the MIG portion of R2.1 million which will fund operating expenditure.

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

The percentage increases of bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost 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 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations 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 implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- An additional rebate of R105 000

Table 4 Proposed rates to levied for the 2022/23 financial year

RATES RANDAGE

Category	Impermissible	Additional Relief	Rebate	Randage
Residential	R15 000.00	R105,000	47%	0,02342464
Business and Commercial			20%	0,02304709
Agricultural			15%	0,00585616
Industrial			35%	0,02304709
Public Service Infrastructure	First 30% non-rated		None	0,00585616
Public Services Purpose			1.5%	0,03647804
Mining				0,0249956
Public Benefit Organization				0,00585617
Vacant Land				0,02342495
Place of Worship			100%	0
Municipal			100%	0
Protected Areas, National Monuments and Heritage			100%	0

1.4.2 Sale of Electricity and Impact of Tariff Increases

As per the directive from circular 115, electricity tariffs have been increased by 4.8%

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidize the lower consumption users (mostly the poor).

1.4.3 Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

A 4.8 per cent increase in the waste removal tariff is proposed from 1 July 2022. Higher increases will not be viable in 2022/23 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2022/23 budget and MTREF is informed by the following:

- The asset repairs and maintenance strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2022/23 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item

KZN237 Inkosi Langalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Expenditure By Type											
Employee related costs	2	172 084	165 546	162 630	175 199	192 622	192 622	132 745	202 038	211 938	222 323
Remuneration of councillors		-	13 297	10 505	15 435	12 798	12 798	7 689	13 412	14 002	14 632
Debt impairment	3	-	(32 707)	34 130	77 618	36 409	36 409	5	38 157	39 836	41 629
Depreciation & asset impairment	2	153 545	44 740	67 820	57 500	38 108	38 108	-	39 937	41 694	43 570
Finance charges		-	3 588	1 808	1 299	1 299	1 299	59	1 362	1 422	1 486
Bulk purchases - electricity	2	178 022	175 024	186 779	198 756	202 638	202 638	145 379	222 091	243 412	266 780
Inventory consumed	8	-	-	-	-	-	-	-	21 978	14 045	14 650
Contracted services		59 517	148 012	101 729	66 669	76 910	76 910	70 561	68 831	70 178	72 683
Transfers and subsidies		-	-	-	-	-	-	-	1 000	-	-
Other expenditure	4, 5	29 534	39 382	29 867	23 496	28 535	28 535	20 261	30 654	29 180	30 493
Losses		-	(28)	-	-	-	-	-	-	-	-
Total Expenditure		592 702	556 854	595 267	615 973	589 319	589 319	376 698	639 460	665 706	708 245

1. Finance Charges

Included in the finance charges budget is the amount of interest levied on late payments and interest on DBSA loans. An increase of 4.8% from the adjustments budget has been considered sufficient to cover the expenditure that will be incurred in these items. It must be noted that over the past two years interest has reduced drastically due to the ESKOM arear debt being paid.

2. Other Materials, contracted Services and Other Expenditure

In respect of other materials, the increase may appear to be significant however this increase was driven by urgent requests for funding from departments. While in other items increases were applied either on the adjustments budget or annualized actuals of the current year, in these three items the budgets were determined by the funding needs of departments to render services. Therefore a zero based budgeting was applied with IDP priorities being the driving force rather than previous year budget or actuals.

3. Employee Related Costs

The municipality has provided 4.9% increase as per the collective agreement in place. Employee related costs therefore will be adjusted by same percentage for the entire MTREF.

4. Councilors Remuneration

The recently held local government elections brought about some changes in the municipality and among them is the number of full time councillors. The increase in number of full time councillors have had financial implications, though there hasn't been significant increase from the adjustments budget. The budget for councillors remuneration increased by 4.8% over MTREF and that shall be implemented provided the MEC approves an increase which may be implemented depending on affordability. The budget has been based on the Grade 3.

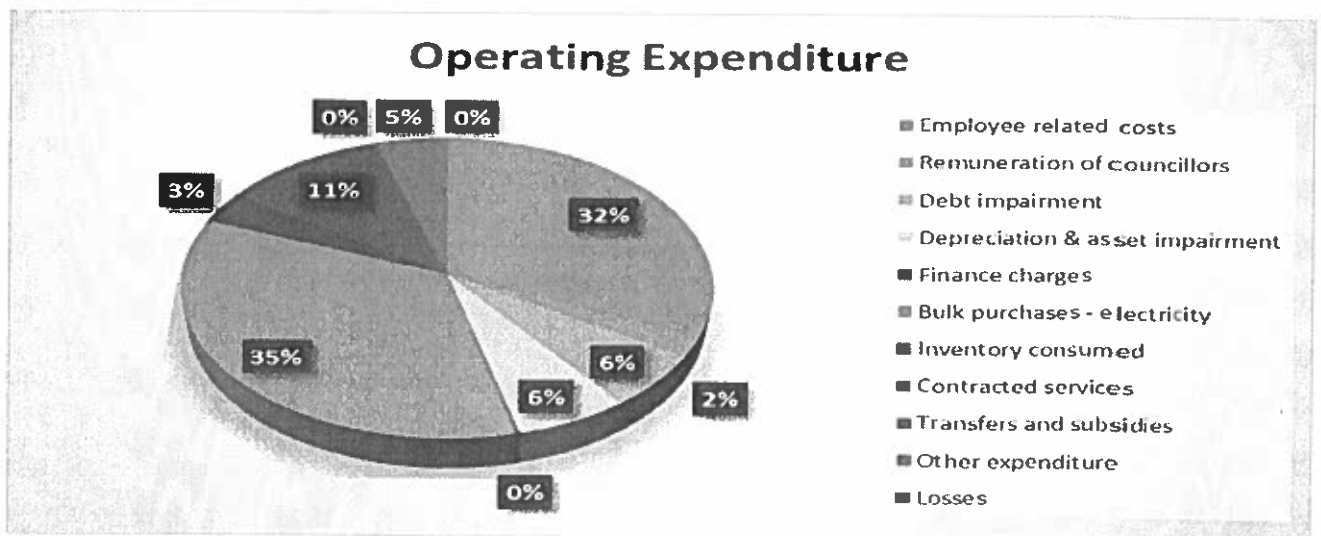
5. Depreciation

Depreciation has been increased by 4.8% from the adjustments budget. The municipality's asset register is currently not in the system and therefore depreciation cannot be distributed on a monthly basis but is done at the end of the year. The 4.8% increase is considered sufficient to cover depreciation of new acquisitions and projects that will be completed during the year.

6. Bulk Purchases

Bulk Purchases is budgeted at R222 million. The basis of this amount actuals for 9.6% increase from the adjustment figure of R202.6 million as per circular 115.

The following table gives a breakdown of the main expenditure categories for the 2022/23 financial year.



1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 7 000 or more indigent households during the 2022/23 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 6 2021/22 Medium-term capital budget per vote

DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK				
Description	Adjustments Budget	Draft Budget	Year 2	Year 3
R thousand	2021/22	2022/23	2024	2025
Capital Expenditure - Functional				
Governance and administration	2 300 000,00	2 300 000,00	300 000,00	300 000,00
Executive and council	2 100 000,00	2 100 000,00	100 000,00	100 000,00
Finance and administration	200 000,00	200 000,00	200 000,00	200 000,00
Internal audit				
Community and public safety	100 000,00	100 000,00	100 000,00	100 000,00
Community and social services	100 000,00	100 000,00	100 000,00	100 000,00
Sport and recreation				
Public safety				
Housing				
Health				
Economic and environmental services	37 847 731,00	34 572 175,00	37 920 750,00	39 551 900,00
Planning and development	100 000,00	100 000,00	100 000,00	100 000,00
Road transport	37 747 731,00	34 472 175,00	37 820 750,00	39 451 900,00
Environmental protection				
Trading services	100 000,00	23 109 500,00	10 300 000,00	12 343 400,00
Energy sources	100 000,00	23 109 500,00	10 300 000,00	12 343 400,00
Water management				
Waste water management				
Waste management				
Other				
Total Capital Expenditure - Functional	40 347 731,00	60 081 675,00	48 620 750,00	52 295 300,00
Funded by:				
National Government	37 847 731,00	57 481 675,00	48 020 750,00	51 695 300,00
Provincial Government				
District Municipality				
Other transfers and grants				
Transfers recognised - capital	37 847 731,00	57 481 675,00	48 020 750,00	51 695 300,00
Borrowing				
Internally generated funds	2 500 000,00	2 600 000,00	600 000,00	600 000,00
Total Capital Funding	40 347 731,00	60 081 675,00	48 620 750,00	52 295 300,00

For 2022/23 an amount of R60 million has been appropriated for the development of infrastructure and furniture.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

CAPITAL PROJECTS

1922C004-3/IA06233/F0791/X047/R0045/001/P100	2 600 000,00	600 000,00	600 000,00	Furniture and office equipment
1810C0039-5/IA00132/F0791/X116/R1878/001/P100	34 472 175,00	37 820 750,00	39 451 900,00	Roads
1937C0021-1/IA7300/F0786/X032/R0045/001/P104	23 009 500,00	10 200 000,00	12 243 400,00	MV Substations
	60 081 675,00	48 620 750,00	52 295 300,00	

BUDGETED CASH FLOW

KZN237 Inkosi Langalibalele - Table A7 Budgeted Cash Flows

Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates		71 216	72 462	72 462	-	76 829	80 209	83 819
Service charges		202 204	193 796	193 796	-	203 215	212 156	221 703
Other revenue		20 905	50 291	50 291	-	69 195	78 611	84 116
Transfers and Subsidies - Operational	1	210 197	210 197	210 197	-	231 671	241 564	258 783
Transfers and Subsidies - Capital	1	37 848	37 848	37 848	-	80 983	70 929	75 252
Interest		37 101	20 128	20 128	-	39 628	41 414	43 319
Dividends		-	-	-	-	-	-	-
Payments								
Suppliers and employees		(503 941)	(553 851)	(553 851)	205 934	(641 597)	(668 547)	(712 974)
Finance charges		(1 299)	(1 299)	(1 299)	-	(1 362)	(1 422)	(1 486)
Transfers and Grants	1	-	-	-	-	(1 000)	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		74 230	29 573	29 573	205 934	57 561	54 915	52 533
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-
Payments								
Capital assets		(40 348)	(40 348)	(40 348)	-	(73 439)	(63 055)	(66 729)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(40 348)	(40 348)	(40 348)	-	(73 439)	(63 055)	(66 729)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans		-	-	-	-	-	-	-
Borrowing long term/financing		-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-
Payments								
Repayment of borrowing		(401)	(401)	(401)	133	(401)	(401)	(401)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(401)	(401)	(401)	133	(401)	(401)	(401)
NET INCREASE/ (DECREASE) IN CASH HELD								
Cash/cash equivalents at the year begin:	2	903	96 459	96 459	23 342	59 338	43 058	34 517
Cash/cash equivalents at the year end:	2	34 384	85 282	85 282	229 410	43 058	34 517	19 920

Cash flow assumptions

An average collection rate of 68% on property rates and fines and penalties and 69.6% on service charges and Interest on outstanding debtors has been except the following where 100% has been applied:

- Rental of facilities and equipment
- Other Revenue

A 100% expenditure has been assumed on capital expenditure

Other Material, Contracted Services and other Expenditure, expenditure for all other items is assumed at 100%.

1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of regulations 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2022/23 Draft budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page

Table 7 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN237 Inkosi Langalibalele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand	1						
Revenue - Functional							
<i>Governance and administration</i>		589 004	554 369	554 369	631 494	663 669	699 932
Executive and council		-	-	-	-	-	-
Finance and administration		589 004	554 369	554 369	631 494	663 669	699 932
Internal audit		-	-	-	-	-	-
<i>Community and public safety</i>		8 745	8 745	8 745	9 176	9 295	9 706
Community and social services		7 138	7 138	7 138	7 492	7 536	7 869
Sport and recreation		71	71	71	74	77	81
Public safety		1 537	1 537	1 537	1 610	1 681	1 757
Housing		-	-	-	-	-	-
Health		-	-	-	-	-	-
<i>Economic and environmental services</i>		45 434	46 867	46 867	50 066	50 062	52 232
Planning and development		215	215	215	225	235	246
Road transport		45 219	46 652	46 652	49 840	49 827	51 986
Environmental protection		-	-	-	-	-	-
<i>Trading services</i>		72 270	70 154	70 154	100 592	88 757	94 615
Energy sources		63 571	60 356	60 356	90 323	78 037	83 412
Water management		-	-	-	-	-	-
Waste water management		-	-	-	-	-	-
Waste management		8 699	9 798	9 798	10 268	10 720	11 203
<i>Other</i>	4	31	31	31	33	34	36
Total Revenue - Functional	2	715 484	680 167	680 167	791 361	811 817	856 520
Expenditure - Functional							
<i>Governance and administration</i>		268 630	239 176	239 176	246 187	247 986	259 236
Executive and council		21 874	19 382	19 382	21 381	21 299	22 276
Finance and administration		240 316	211 604	211 604	216 547	218 192	228 215
Internal audit		6 441	8 191	8 191	8 259	8 494	8 745
<i>Community and public safety</i>		62 305	61 051	61 051	69 944	69 765	73 151
Community and social services		34 376	34 219	34 219	41 827	40 282	42 232
Sport and recreation		13 174	12 278	12 278	12 878	13 499	14 153
Public safety		11 449	11 249	11 249	11 771	12 346	12 950
Housing		3 306	3 306	3 306	3 468	3 638	3 816
Health		-	-	-	-	-	-
<i>Economic and environmental services</i>		40 689	42 234	42 234	45 163	47 310	49 573
Planning and development		7 958	8 394	8 394	8 968	9 401	9 856
Road transport		32 731	33 840	33 840	36 195	37 909	39 717
Environmental protection		-	-	-	-	-	-
<i>Trading services</i>		253 347	254 898	254 898	277 146	299 576	325 163
Energy sources		226 940	231 491	231 491	251 822	273 045	297 361
Water management		-	-	-	-	-	-
Waste water management		-	-	-	-	-	-
Waste management		26 407	23 407	23 407	25 324	26 531	27 802
<i>Other</i>	4	972	972	972	1 020	1 070	1 122
Total Expenditure - Functional	3	625 943	598 332	598 332	639 460	665 706	708 245
Surplus/(Deficit) for the year		89 542	81 835	81 835	151 901	146 111	148 275

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 06 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the other departments.

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

KZN237 Inkosi Langalibalele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue by Vote	1						
Vote 1 - Executive & Council		-	-	-	-	-	-
Vote 2 - Finance and Admin		589 004	554 369	554 369	631 494	663 669	699 932
Vote 3 - Internal Audit		-	-	-	-	-	-
Vote 4 - Community and Social Services		7 138	7 138	7 138	7 492	7 536	7 669
Vote 5 - Sport & Recreation		71	71	71	74	77	81
Vote 6 - Public Safety		1 537	1 537	1 537	1 610	1 661	1 757
Vote 7 - Housing		-	-	-	-	-	-
Vote 8 - Health		-	-	-	-	-	-
Vote 9 - Planning & Development		215	215	215	225	235	246
Vote 10 - Road Transport		45 219	46 652	46 652	49 840	49 827	51 986
Vote 11 - Energy Sources		63 571	60 358	60 358	90 323	78 037	83 412
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-
Vote 13 - Waste Management		8 699	9 798	9 798	10 268	10 720	11 203
Vote 14 - Other		31	31	31	33	34	36
Vote 15 - Finance and Admin2		-	-	-	-	-	-
Total Revenue by Vote	2	715 484	680 167	680 167	791 361	811 817	856 520
Expenditure by Vote to be appropriated	1						
Vote 1 - Executive & Council		21 874	19 382	19 382	21 381	21 299	22 276
Vote 2 - Finance and Admin		216 261	168 127	168 127	170 957	170 458	178 218
Vote 3 - Internal Audit		6 441	8 191	8 191	8 259	8 494	8 745
Vote 4 - Community and Social Services		34 376	34 219	34 219	41 827	40 262	42 232
Vote 5 - Sport & Recreation		2 136	2 136	2 136	2 240	2 348	2 461
Vote 6 - Public Safety		11 449	11 249	11 249	11 771	12 346	12 950
Vote 7 - Housing		3 306	3 306	3 306	3 468	3 638	3 816
Vote 8 - Health		-	-	-	-	-	-
Vote 9 - Planning & Development		7 958	8 394	8 394	8 968	9 401	9 856
Vote 10 - Road Transport		43 769	43 982	43 982	46 833	49 061	51 409
Vote 11 - Energy Sources		226 940	231 491	231 491	251 822	273 045	297 361
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-
Vote 13 - Waste Management		26 407	23 407	23 407	25 324	26 531	27 802
Vote 14 - Other		972	972	972	1 020	1 070	1 122
Vote 15 - Finance and Admin2		24 054	43 477	43 477	45 591	47 734	49 998
Total Expenditure by Vote	2	625 943	598 332	598 332	639 460	665 706	708 245
Surplus/(Deficit) for the year	2	89 542	81 835	81 835	151 901	146 111	148 275

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity services.

Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN237 Inkosi Langalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand	1							
Revenue By Source								
Property rates	2	104 729	106 562	106 562	157 284	112 984	117 955	123 263
Service charges - electricity revenue	2	272 019	268 804	268 804	177 418	281 707	294 102	307 336
Service charges - water revenue	2	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-
Service charges - refuse revenue	2	8 699	9 798	9 798	6 732	10 268	10 720	11 203
Rental of facilities and equipment		1 026	1 026	1 026	483	1 075	1 122	1 173
Interest earned - external investments		2 620	2 492	2 492	1 669	2 642	2 800	2 968
Interest earned - outstanding debtors		50 707	25 354	25 354	0	53 141	55 480	57 976
Dividends received		-	-	-	-	-	-	-
Fines, penalties and forfeits		24 251	12 313	12 313	200	24 197	25 262	26 399
Licences and permits		2 642	4 025	4 025	3 148	4 219	4 404	4 602
Agency services		-	50	50	35	52	55	57
Transfers and subsidies		210 197	210 197	210 197	203 794	231 671	241 564	258 783
Other revenue	2	746	1 699	1 699	3 138	1 780	1 858	1 942
Gains		-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		677 636	642 320	642 320	553 901	723 736	755 322	795 702
Expenditure By Type								
Employee related costs	2	175 199	192 622	192 622	132 745	202 038	211 938	222 323
Remuneration of councillors		15 435	12 798	12 798	7 689	13 412	14 002	14 632
Debt impairment	3	77 618	36 409	36 409	5	38 157	39 836	41 629
Depreciation & asset impairment	2	57 500	38 108	38 108	-	39 937	41 694	43 570
Finance charges		1 299	1 299	1 299	59	1 362	1 422	1 486
Bulk purchases - electricity	2	198 756	202 638	202 638	145 379	222 091	243 412	266 780
Inventory consumed	8	-	-	-	-	21 978	14 045	14 650
Contracted services		66 669	76 910	76 910	70 706	68 831	70 178	72 683
Transfers and subsidies		-	-	-	-	1 000	-	-
Other expenditure	4, 5	23 496	28 535	28 535	20 261	30 654	29 180	30 493
Losses		-	-	-	-	-	-	-
Total Expenditure		615 973	589 319	589 319	376 843	639 460	665 706	708 245
Surplus/(Deficit)		61 663	53 000	53 000	177 059	84 276	89 616	87 457
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		37 848	37 848	37 848	29 926	67 626	56 495	60 818
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-
Surplus/(Deficit) for the year		99 511	90 848	90 848	206 985	151 901	146 111	148 275

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

1. Total revenue is R723.6 million in 2022/23 and increases to R795.7 million by 2024/25. This represents a year-on-year increase of 12.68 per cent for the 2022/23 financial year and 9.94 per cent for the 2024/25 financial year.
2. Revenue to be generated from property rates is R112.9 million in the 2022/23 financial year and increases to R123.2 million by 2024/25 which represents 16 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 4.4% and 4.5% for respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totaling R291.9 million for the 2022/23 financial year and increasing to R430.5 million by 2024/25. For the 2022/23 financial year services charges amount to 40.3% of the total revenue base and grows by almost 5 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand	1							
Single-year expenditure to be appropriated	2							
Vote 1 - Executive & Council		2 100	2 100	2 100	2 017	2 100	100	100
Vote 2 - Finance and Admin		200	300	300	3 703	200	200	200
Vote 3 - Internal Audit		-	-	-	-	-	-	-
Vote 4 - Community and Social Services		100	100	100	23 818	100	100	100
Vote 5 - Sport & Recreation		-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	396	-	-	-
Vote 7 - Housing		-	-	-	540	-	-	-
Vote 8 - Health		-	-	-	-	-	-	-
Vote 9 - Planning & Development		100	100	100	2 271	100	100	100
Vote 10 - Road Transport		37 748	37 748	37 748	172 383	34 572	37 921	39 55
Vote 11 - Energy Sources		100	-	-	10 545	23 010	10 200	12 24
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-
Vote 13 - Waste Management		-	-	-	-	-	-	-
Vote 14 - Other		-	-	-	-	-	-	-
Vote 15 - Finance and Admin2		-	-	-	-	-	-	-
Capital single-year expenditure sub-total		40 348	40 348	40 348	215 672	60 082	48 621	52 29
Total Capital Expenditure - Vote		40 348	40 348	40 348	215 672	60 082	48 621	52 29
Capital Expenditure - Functional								
Governance and administration		2 300	2 400	2 400	-	2 300	300	300
Executive and council		2 100	2 100	2 100	-	2 100	100	100
Finance and administration		200	300	300	-	200	200	200
Internal audit		-	-	-	-	-	-	-
Community and public safety		100	100	100	-	100	100	100
Community and social services		100	100	100	-	100	100	100
Sport and recreation		-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-
Economic and environmental services		37 848	37 848	37 848	-	34 672	38 021	39 85
Planning and development		100	100	100	-	100	100	100
Road transport		37 748	37 748	37 748	-	34 572	37 921	39 55
Environmental protection		-	-	-	-	-	-	-
Trading services		100	-	-	-	23 010	10 200	12 24
Energy sources		100	-	-	-	23 010	10 200	12 24
Water management		-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	40 348	40 348	40 348	-	60 082	48 621	52 29
Funded by:								
National Government		37 848	37 848	37 848	-	57 482	48 021	51 69
Provincial Government		-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-
Transfers recognised - capital	4	37 848	37 848	37 848	-	57 482	48 021	51 69
Borrowing	6	-	-	-	-	-	-	-
Internally generated funds		2 500	2 500	2 500	-	2 500	600	600
Total Capital Funding	7	40 348	40 348	40 348	-	60 082	48 621	52 29

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); 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.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The total capital budget for 2022/23 is R60 million.
3. The capital programs are funded from national grants and transfers and internally generated funds from current year surpluses. For 2022/23, capital transfers totals R57.4 million and R2.6 million is internally generated funds. There will be no borrowings in the 2022/23 financial year.

Table 10 MBRR Table A7 - Budgeted Cash Flow Statement

KZN237 Inkosi Langalibalele - Table A7 Budgeted Cash Flows

Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates		71 216	72 462	72 462	-	76 829	80 209	83 819
Service charges		202 204	193 796	193 796	-	203 215	212 156	221 703
Other revenue		20 905	50 291	50 291	-	69 195	78 611	84 116
Transfers and Subsidies - Operational	1	210 197	210 197	210 197	-	231 671	241 564	258 783
Transfers and Subsidies - Capital	1	37 848	37 848	37 848	-	80 983	70 929	75 252
Interest		37 101	20 128	20 128	-	39 628	41 414	43 319
Dividends		-	-	-	-	-	-	-
Payments								
Suppliers and employees		(503 941)	(553 851)	(553 851)	205 934	(641 597)	(668 547)	(712 974)
Finance charges		(1 299)	(1 299)	(1 299)	-	(1 362)	(1 422)	(1 486)
Transfers and Grants	1	-	-	-	-	(1 000)	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		74 230	29 573	29 573	205 934	57 561	54 915	52 533
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		-	-	-	-	-	-	-
Decrease (increase) in non-current receivables						-	-	-
Decrease (increase) in non-current investments						-	-	-
Payments								
Capital assets		(40 348)	(40 348)	(40 348)	-	(73 439)	(63 055)	(66 729)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(40 348)	(40 348)	(40 348)	-	(73 439)	(63 055)	(66 729)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans		-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-
Payments								
Repayment of borrowing		(401)	(401)	(401)	133	(401)	(401)	(401)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(401)	(401)	(401)	133	(401)	(401)	(401)
NET INCREASE/ (DECREASE) IN CASH HELD								
Cash/cash equivalents at the year begin:	2	903	96 459	96 459	23 342	59 338	43 058	34 517
Cash/cash equivalents at the year end:	2	34 384	85 282	85 282	229 410	43 058	34 517	19 920

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality have improved significantly over the 2021/22 to 2023/24 period owing directly to cost containment Strategies that have been implemented and cash collection during financial year.
4. As part of the 2021/22 Adjustments Budget the unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. In addition, the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors.
6. The 2022/23 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 11 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Adjustments Budget	Draft Budget	Year 2	Year 3
R thousand	2021/22	2022/23	2023/24	2024/25
Cash and investments available				
Cash/cash equivalents at the year end	59 337 968,00	43 057 506,97	34 515 757,30	19 918 017,70
Other current investments > 90 days	-	-	-	
Non current assets - Investments	-	-	-	
Cash and investments available:	59 337 968,00	43 057 506,97	34 515 757,30	19 918 017,70
Application of cash and investments				
Unspent conditional transfers	4 331 813,00	4 331 813,00	4 331 813,00	4 331 813,00
Unspent borrowing				
Statutory requirements	13 332 173,75	13 954 703,48	14 568 710,44	15 224 302,41
Other working capital requirements	- 17 499 204,00	- 16 867 310,46	- 26 913 893,17	- 37 412 572,11
Other provisions	7 848 758,00	7 848 758,00	7 848 758,00	7 848 758,00
Long term investments committed	-	-	-	
Reserves to be backed by cash/investments	-	-	-	
Total Application of cash and investments:	- 122 192 666,73	9 267 964,03	- 164 611,74	- 10 007 698,71
Surplus(shortfall)	156 575 998,11	33 789 542,94	34 680 369,03	29 925 716,40

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. 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.
3. 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".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2021/22 MTREF was funded owing to the significant surplus.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2021/22 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Part 2 – Supporting Documentation

2.1 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 the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

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

2.1.1 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 August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on August 2020. Key dates applicable to the process were:

- **August 2021** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2021/22 MTREF;
- **November 2021** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2022**- Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2022** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **25 January 2022** - Council considers the 2021/22 Mid-year Review and Adjustments Budget;
- **February 2022** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The 2021/22 MTREF is revised accordingly;
- **31 March 2022** - Tabling in Council of the draft 2022/23 IDP and 2022/23 MTREF for public consultation;
- **April 2022**– Public consultation;
- **May 2022**- Closing date for written comments;
- **6 to 21 May 2022**– finalization of the 2022/23 IDP and 2022/23 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2022**- Tabling of the 2022/23 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as adopted by Council in May 2021. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2022/23 MTREF in August.

The Municipality 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. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- 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.

The IDP has been taken into a business and financial planning process leading up to the 2022/23 MTREF, based on the approved 2021/22 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2022/23 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2021/22 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.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2022/23 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2022/23 MTREF:

- Town growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2021/22 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 98 and 99 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2022/23 MTREF was tabled before Council on the 31 March 2022 for community consultation it was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition, a further a budget presentation was posted on the Municipality's Facebook page. The opportunity to give electronic feedback was also communicated on the Municipality's website and Facebook page

2.2 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.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. 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 aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

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 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2021/22 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 12 IDP Strategic Objectives

2021/22 Financial Year	2022/23 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide electricity;
 - o Provide water;
 - o Provide sanitation;
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of the City.

2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the City;
 - o Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective city cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2022/23 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 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 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, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

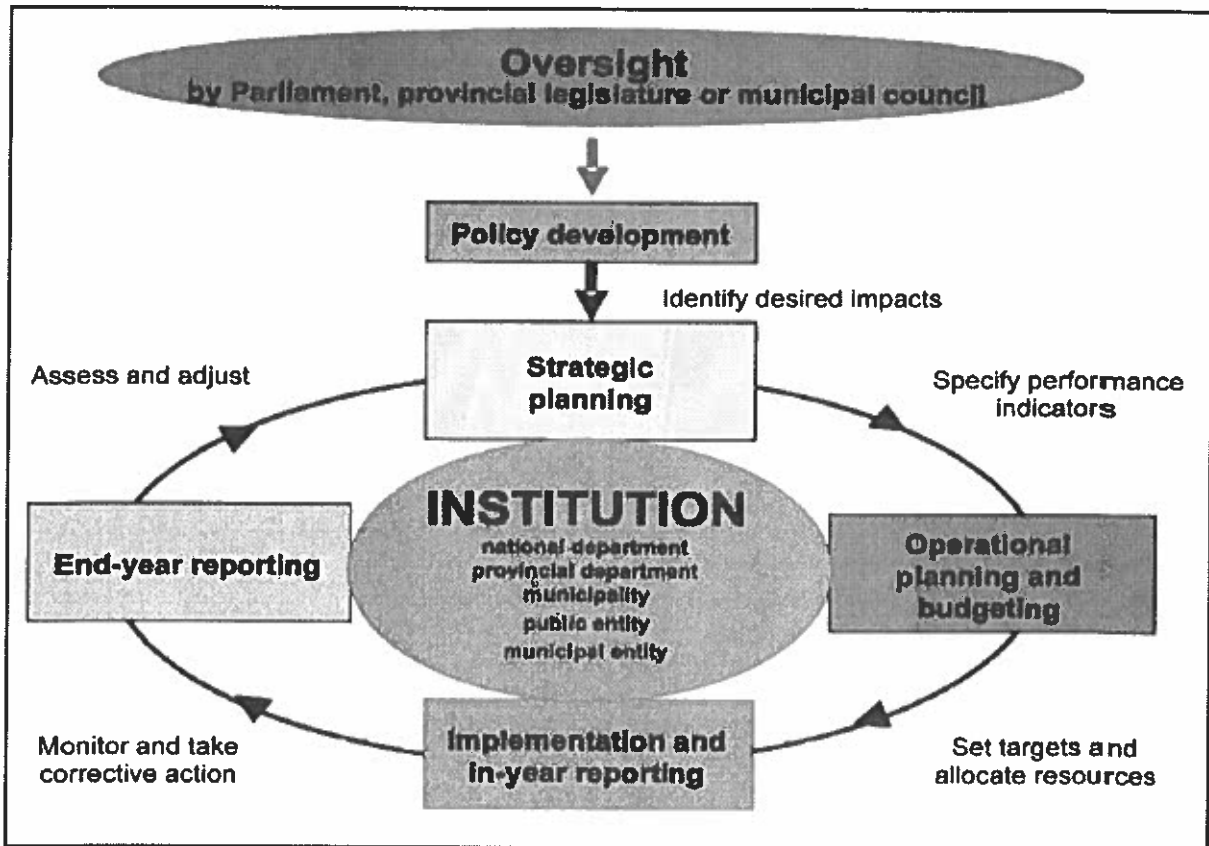
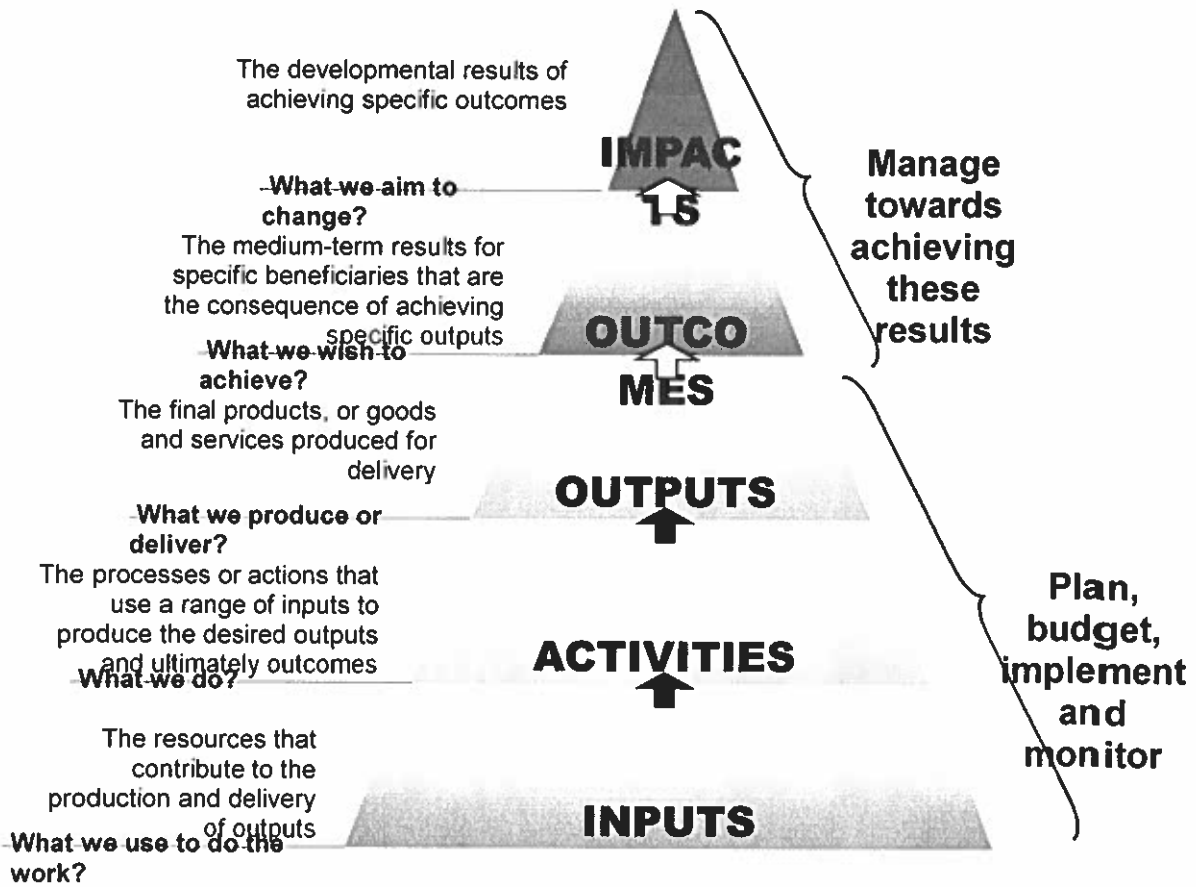


Figure 1 Planning, budgeting and reporting cycle

The performance of the municipality 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. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the *Framework of Managing Programme Performance Information* issued by the National Treasury:



2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Inkosi Langalibalele Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2022/23 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 1.2 per cent in 2022/23. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the municipality has reached its prudential borrowing limits.

The municipality's debt profile provides some interesting insights on the municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2022/23 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.3 Creditors Management

- The municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While this raises a concern in terms of the liquidity. Not paying creditors within 30 days and have creditor's outstanding over 90 days is a sign of weakness in cash flow. However the municipality has daily cash flow management plan which should get the municipality to comply with the 30 days legislation.

2.4 Overview of budget related-policies

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

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in 2021/22 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2022/23 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 69 per cent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2021/22. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.4 Budget and Virement Policy

The Budget and 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 and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2021/22.

2.4.5 Cash Management and Investment Policy

The aim of this policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2022/23 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);

- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Inkosi Langalibalele municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2022/23 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs has been increased by 4.9% as per the collective agreement

2.5.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. Amortisation schedule were obtained from the financial institutions and used to calculate the finance charges the municipality will incur in the 2022/23.

2.5.3 Collection rate for revenue services

For the purposes of the budgeted cash flow, an average revenue collection rate of 68% has been used.

2.5.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align

IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

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

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

2.5.5 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2022/23 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 13 Breakdown of the operating revenue over the medium-term

KZN237 Inkosi Langalibalele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand	1							
Revenue By Source								
Property rates	2	104 729	106 562	106 562	157 284	112 984	117 955	123 263
Service charges - electricity revenue	2	272 019	268 804	268 804	177 418	281 707	294 102	307 336
Service charges - water revenue	2	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-
Service charges - refuse revenue	2	8 699	9 798	9 798	6 732	10 268	10 720	11 203
Rental of facilities and equipment		1 026	1 026	1 026	483	1 075	1 122	1 173
Interest earned - external investments		2 620	2 492	2 492	1 669	2 642	2 800	2 968
Interest earned - outstanding debtors		50 707	25 354	25 354	0	53 141	55 480	57 976
Dividends received		-	-	-	-	-	-	-
Fines, penalties and forfeits		24 251	12 313	12 313	200	24 197	25 262	26 399
Licences and permits		2 642	4 025	4 025	3 148	4 219	4 404	4 602
Agency services		-	50	50	35	52	55	57
Transfers and subsidies		210 197	210 197	210 197	203 794	231 671	241 564	258 783
Other revenue	2	746	1 699	1 699	3 138	1 780	1 858	1 942
Gains		-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		677 636	642 320	642 320	553 901	723 736	755 322	795 702

Figure 2 Breakdown of operating revenue over the 2022/23 MTREF

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. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

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

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of average 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

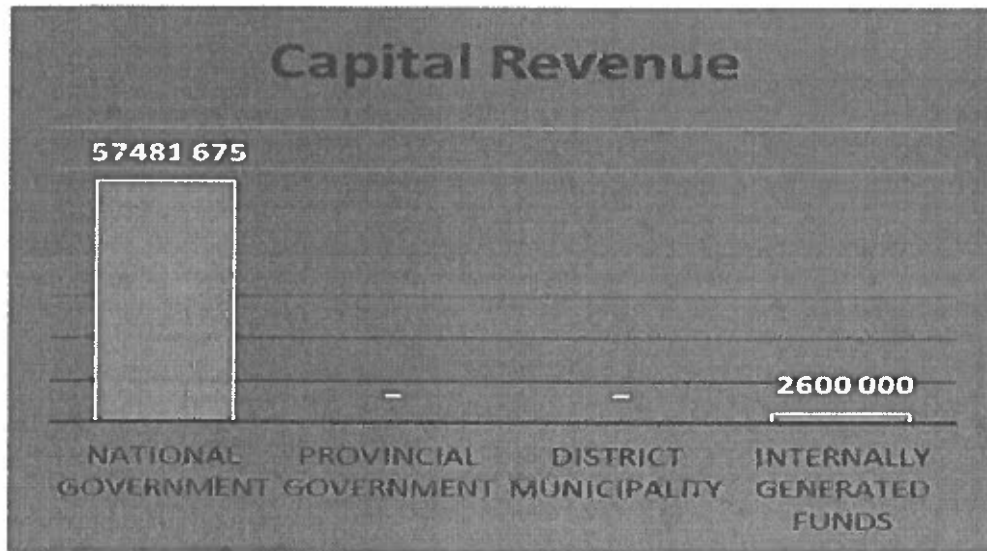
The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Table 14 Sources of capital revenue over the MTREF

Vote Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand	1							
Funded by:								
National Government		37 848	37 848	37 848	-	57 482	48 021	51 695
Provincial Government		-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-
Transfers recognised - capital	4	37 848	37 848	37 848	-	57 482	48 021	51 695
Borrowing	6	-	-	-	-	-	-	-
Internally generated funds		2 500	2 500	2 500	-	2 600	600	600
Total Capital Funding	7	40 348	40 348	40 348	-	60 082	48 621	52 295

The above table is graphically represented as follows for the 2022/23 financial year.

Figure 3 Sources of capital revenue for the 2022/23 financial year



Capital grants and receipts equates to 96 per cent of the total funding source which represents R57.4 million for the 2022/23 financial year.

2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 15 MBRR Table A7 - Budget cash flow statement

KZN237 Inkosi Langalibalele - Table A7 Budgeted Cash Flows								
Description	Ref	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates		71 216	72 462	72 462	-	76 829	80 209	83 819
Service charges		202 204	193 796	193 796	-	203 215	212 156	221 703
Other revenue		20 905	50 291	50 291	-	69 195	78 611	84 116
Transfers and Subsidies - Operational	1	210 197	210 197	210 197	-	231 671	241 564	258 783
Transfers and Subsidies - Capital	1	37 848	37 848	37 848	-	80 983	70 929	75 252
Interest		37 101	20 128	20 128	-	39 628	41 414	43 319
Dividends		-	-	-	-	-	-	-
Payments								
Suppliers and employees		(503 941)	(553 851)	(553 851)	205 934	(641 597)	(668 547)	(712 974)
Finance charges		(1 299)	(1 299)	(1 299)	-	(1 362)	(1 422)	(1 486)
Transfers and Grants	1	-	-	-	-	(1 000)	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		74 230	29 573	29 573	205 934	57 561	54 915	52 533
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-
Payments								
Capital assets		(40 348)	(40 348)	(40 348)	-	(73 439)	(63 055)	(66 729)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(40 348)	(40 348)	(40 348)	-	(73 439)	(63 055)	(66 729)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans		-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-
Payments								
Repayment of borrowing		(401)	(401)	(401)	133	(401)	(401)	(401)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(401)	(401)	(401)	133	(401)	(401)	(401)
NET INCREASE/ (DECREASE) IN CASH HELD								
Cash/cash equivalents at the year begin:	2	33 480	(11 177)	(11 177)	206 067	(16 279)	(8 541)	(14 597)
Cash/cash equivalents at the year end:	2	903	96 459	96 459	23 342	59 338	43 058	34 517
Cash/cash equivalents at the year end:	2	34 384	85 282	85 282	229 410	43 058	34 517	19 920

The above table shows that cash and cash equivalents of the municipality have steadily decreased over time.

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 year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

2.6.3 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 16 MBRR SA10 – Funding compliance measurement

KZN237 Inkosi Langalibalele Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	23 270	(28 818)	(124 536)	34 384	85 282	85 282	227 244	43 058	34 516	19 919
Cash + investments at the yr end less applications - R'000	18(1)b	2	(236 275)	(205 284)	(151 488)	147 243	72 072	72 072	301 543	457 023	313 572	314 886
Cash year end/monthly employees/supplier payments	18(1)b	3	0.5	(0.7)	(2.9)	0.8	1.9	1.9	7.4	0.9	0.7	0.4
Surplus/(Deficit) excluding depreciation offsets - R'000	18(1)	4	(130 527)	210 760	164 727	89 542	81 835	81 835	201 219	151 001	146 111	149 275
Service charge rev % change - macro CPIX target exclusive	18(1)a.(2)	5	N A	6.3%	11.1%	(21.7%)	(8.1%)	(6.0%)	(17.4%)	(9.9%)	(1.6%)	(1.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a.(2)	6	0.0%	0.0%	0.0%	63.3%	73.7%	73.7%	0.0%	71.4%	72.6%	73.0%
Debt impairment expense as a % of total billable revenue	18(1)a.(2)	7	20.9%	(8.4%)	7.5%	20.1%	9.5%	9.5%	0.0%	9.4%	9.4%	9.4%
Capital payments % of capital expenditure	18(1)c.19	8	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N A	45.2%	(3.9%)	(42.1%)	(8.5%)	0.0%	110.0%	20.6%	(48.6%)	4.5%
Long term receivables % change - incr(decr)	18(1)a	12	N A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.2%	1.4%	1.6%	2.2%	2.0%	2.0%	1.0%	2.1%	266.6%	220.4%
Asset renew al % of capital budget	20(1)(vi)	14	0.5%	2.5%	9.3%	4.8%	4.8%	4.8%	0.0%	0.0%	0.0%	0.0%

2.6.3.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2022/23 MTREF shows R43 million, R35.5 million and R19.9 million for each respective financial year.

2.6.3.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.3.3 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 68 percent for each of the respective financial years. Given that the assumed collection rate was based on a 68 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.3.4 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.3.5 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The municipality is not planning to obtain any borrowing to finance capital in 2022/23.

2.6.3.6 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

2.6.3.7 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

2.6.3.8 Repairs and maintenance expenditure level

In terms of National Treasury's requirements, the renewal expenditure must be 40% and repairs and maintenance expenditure must be at least 8%. Due to cash flow problems, the municipality cannot afford to meet the standard required by National Treasury at the moment.

2.6.3.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorize each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarize and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34

Legislation compliance status

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

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established but outsourced.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2022/23 MTREF in May 2022 directly aligned and informed by the 2021/22 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMP Training
The MFMP training is currently underway, only interns are attending.

2.7 Other supporting documents

Table 17 MBRR Table SA1 - Supporting detail to budgeted financial performance

KZN237 Inkosi Langalibalele - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/ 23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand											
REVENUE ITEMS:											
Property rates											
Total Property Rates	6	97 819	121 990	156 453	152 655	154 488	154 488	119 856	163 210	170 392	178 959
Less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		(10 225)	(34 670)	(54 723)	47 926	47 926	47 926	(37 428)	50 227	52 437	54 796
Net Property Rates		108 044	156 660	211 176	104 729	106 562	106 562	157 284	112 984	117 955	123 263
Service charges - electricity revenue											
Total Service charges - electricity revenue	6	231 427	223 386	235 426	272 019	268 804	268 804	177 418	281 707	294 102	307 336
Less Revenue Foregone (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Less Cost of Free Basis Services (50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue		231 427	223 386	235 426	272 019	268 804	268 804	177 418	281 707	294 102	307 336
Service charges - water revenue											
Total Service charges - water revenue	6	-	-	-	-	-	-	-	-	-	-
Less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Less Cost of Free Basis Services (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue		-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
Less Revenue Foregone (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-	-
Less Cost of Free Basis Services (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-	-
Net Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue											
Total refuse removal revenue	6	8 100	9 297	9 497	8 699	9 798	9 798	6 597	10 268	10 720	11 203
Total landfill revenue		-	-	-	-	-	-	-	-	-	-
Less Revenue Foregone (in excess of one removal a week to indigent households)		-	(908)	(1 054)	-	-	-	(135)	-	-	-
Less Cost of Free Basis Services (removed once a week to indigent households)		-	-	-	-	-	-	-	-	-	-
Net Service charges - refuse revenue		8 100	10 205	10 551	8 699	9 798	9 798	6 732	10 268	10 720	11 203
Other Revenue by source											
Administrative Handling Fees		(40)	17	6	-	-	-	1 048	-	-	-
Bad Debts Recovered		-	-	-	-	-	-	-	-	-	-
Breakages and Losses Recovered		-	-	-	-	-	-	-	-	-	-
Collection Charges		-	-	-	-	-	-	-	-	-	-
Commission		1 173	-	-	-	953	953	984	998	1 042	1 089
Discounts and Early Settlements		-	-	1	-	-	-	-	-	-	-
Incidental Cash Surpluses		-	-	-	-	-	-	-	-	-	-
Inspection Fees		-	-	-	-	-	-	-	-	-	-
Registration Fees		-	-	-	-	-	-	-	-	-	-
Staff Recoveries		274	0	-	-	-	-	0	-	-	-
Request for Information		0	-	-	-	-	-	-	-	-	-
Insurance Refund		-	-	-	-	-	-	-	-	-	-
Sale of Property		134	-	-	-	-	-	114	-	-	-
Merchandising, Jobbing and Contracts		-	-	-	-	-	-	-	-	-	-
Bursary Repayment		-	-	-	-	-	-	-	-	-	-
Recovery Infrastructure Maintenance		-	-	-	-	-	-	-	-	-	-
Skills Development Levy Refund		(8)	-	201	-	-	-	497	-	-	-
Arbor City Awards Competition		-	-	-	-	-	-	-	-	-	-
Other Revenue		566	348	826	746	746	746	496	782	816	853
Total 'Other' Revenue	1	2 099	365	1 033	748	1 699	1 699	3 138	1 780	1 856	1 942

EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	118 099	112 901	111 431	120 653	120 653	120 653	2 727	126 543	132 743	139 248
Pension and UIF Contributions		19 704	19 406	19 220	20 069	37 518	37 518	97 203	39 356	41 284	43 307
Medical Aid Contributions		5 581	9 072	6 965	7 089	7 073	7 073	5 986	7 420	7 783	8 165
Overtime		3 779	4 037	5 513	3 499	3 499	3 499	6 284	3 671	3 851	4 039
Performance Bonus		12 373	8 918	7 480	10 892	10 892	10 892	7 652	11 425	11 985	12 572
Motor Vehicle Allowance		6 133	5 470	5 352	6 995	6 995	6 995	3 731	7 338	7 698	8 075
Cellphone Allowance		436	105	124	492	492	492	96	516	542	568
Housing Allowances		655	825	828	673	663	663	661	695	729	765
Other benefits and allowances		3 465	2 194	1 643	3 737	3 737	3 737	1 082	3 920	4 112	4 314
Payments in lieu of leave		676	2 126	(1 266)	676	676	676	1 387	709	744	781
Long service awards		1 192	492	5 338	423	423	423	966	444	466	488
Post-retirement benefit obligations		-	-	-	-	-	-	4 970	-	-	-
sub-total	5	172 093	165 546	162 630	175 199	192 622	192 622	132 745	202 036	211 936	222 323
Less: Employees costs capitalised to PPE		9	-	-	-	-	-	-	-	-	-
Total Employee related costs	1	172 084	165 546	162 630	175 199	192 622	192 622	132 745	202 036	211 936	222 323
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		78 236	49 928	67 820	57 500	38 108	38 108	-	39 937	41 694	43 570
Lease amortisation		-	383	-	-	-	-	-	-	-	-
Capital asset impairment		75 310	(5 570)	-	-	-	-	-	-	-	-
Total Depreciation & asset impairment	1	153 545	44 740	67 820	57 500	38 108	38 108	-	39 937	41 694	43 570
Bulk purchases - electricity											
Electricity bulk purchases		178 022	175 024	186 779	198 756	202 638	202 638	145 379	222 091	243 412	266 780
Total bulk purchases	1	178 022	175 024	186 779	198 756	202 638	202 638	145 379	222 091	243 412	266 780
Transfers and grants											
Cash transfers and grants		-	-	-	-	-	-	-	1 000	-	-
Non-cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Total transfers and grants	1	-	-	-	-	-	-	-	1 000	-	-
Contracted services											
Outsourced Services		32 471	29 222	35 532	20 266	20 666	20 666	17 853	21 332	22 139	23 000
Consultants and Professional Services		7 400	9 834	21 806	12 848	25 542	25 542	21 661	15 677	16 366	17 103
Contractors		19 646	108 957	44 391	33 555	30 702	30 702	31 192	31 822	31 673	32 580
Total contracted services		59 517	148 012	101 729	66 669	76 910	76 910	70 706	68 831	70 178	72 683
Other Expenditure By Type											
Collection costs		-	-	-	-	-	-	-	-	-	-
Contributions to 'other' provisions		-	-	568	-	1 200	1 200	1 020	1 258	1 313	1 372
Audit fees		5 223	4 028	2 660	2 501	4 001	4 001	3 269	4 193	4 377	4 574
Other Expenditure		24 311	35 354	26 639	20 996	23 335	23 335	15 972	25 204	23 490	24 547
Total 'Other' Expenditure	1	29 534	39 382	29 867	23 496	28 535	28 535	20 261	30 654	29 180	30 493
Repairs and Maintenance											
Employee related costs		-	-	-	-	-	-	-	-	-	-
Inventory Consumed (Project Maintenance)		-	-	-	-	-	-	-	-	-	-
Contracted Services		9 685	10 560	12 035	17 011	16 564	16 564	-	17 749	18 464	19 228
Other Expenditure		-	-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	9	9 685	10 560	12 035	17 011	16 564	16 564	-	17 749	18 464	19 228
Inventory Consumed											
Inventory Consumed - Water		-	-	-	-	-	-	-	-	-	-
Inventory Consumed - Other		-	-	-	9 969	9 012	9 012	-	21 978	14 045	14 650
Total Inventory Consumed & Other Material		-	-	-	9 969	9 012	9 012	-	21 978	14 045	14 650

Table 18 MBRR Table SA3 – Supporting detail to Statement of Financial Position

KZN237 Inkosi Langalibalele - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand											
ASSETS											
Consumer debtors											
Consumer debtors		237 043	322 387	357 407	513 967	260 318	260 318	416 439	311 624	185 891	194 256
Less: Provision for debt impairment		(105 208)	(95 222)	(121 438)	(256 918)	(36 409)	(36 409)	(121 443)	(38 157)	(39 836)	(41 629)
Total Consumer debtors	2	131 835	227 165	235 970	257 049	223 909	223 909	294 997	273 467	146 055	152 628
Debt impairment provision											
Balance at the beginning of the year		(105 205)	(82 668)	(88 514)	-	-	-	(88 514)	-	-	-
Contributions to the provision		-	-	(20 371)	(256 918)	-	-	(20 371)	-	-	-
Bad debts written off		(3)	(12 553)	(12 553)	-	(36 409)	(36 409)	(12 558)	(38 157)	(39 836)	(41 629)
Balance at end of year		(105 208)	(95 222)	(121 438)	(256 918)	(36 409)	(36 409)	(121 443)	(38 157)	(39 836)	(41 629)
Inventory											
Water											
Opening Balance		-	-	-	-	-	-	-	-	-	-
System Input Volume		-	-	-	-	-	-	-	-	-	-
Water Treatment Works		-	-	-	-	-	-	-	-	-	-
Bulk Purchases		-	-	-	-	-	-	-	-	-	-
Natural Sources		-	-	-	-	-	-	-	-	-	-
Authorised Consumption	6	-	-	-	-	-	-	-	-	-	-
Billed Authorised Consumption											
Billed Metered Consumption											
Free Basic Water		-	-	-	-	-	-	-	-	-	-
Subsidised Water		-	-	-	-	-	-	-	-	-	-
Revenue Water		-	-	-	-	-	-	-	-	-	-
Billed Unmetered Consumption											
Free Basic Water		-	-	-	-	-	-	-	-	-	-
Subsidised Water		-	-	-	-	-	-	-	-	-	-
Revenue Water		-	-	-	-	-	-	-	-	-	-
UnBilled Authorised Consumption											
Unbilled Metered Consumption											
Unbilled Unmetered Consumption		-	-	-	-	-	-	-	-	-	-
Water Losses											
Apparent losses											
Unauthorised Consumption		-	-	-	-	-	-	-	-	-	-
Customer Meter Inaccuracies		-	-	-	-	-	-	-	-	-	-
Real losses											
Leakage on Transmission and Distributon Mains		-	-	-	-	-	-	-	-	-	-
Leakage and Overflows at Storage Tanks/Reservoirs		-	-	-	-	-	-	-	-	-	-
Leakage on Service Connections up to the point of Customer Me		-	-	-	-	-	-	-	-	-	-
Data Transfer and Management Errors		-	-	-	-	-	-	-	-	-	-
Unavoidable Annual Real Losses		-	-	-	-	-	-	-	-	-	-
Non-revenue Water		-	-	-	-	-	-	-	-	-	-
Closing Balance Water		-	-	-	-	-	-	-	-	-	-

Agricultural										
Opening Balance	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Issues	7	-	-	-	-	-	-	-	-	-
Adjustments	8	-	-	-	-	-	-	-	-	-
Write-offs	9	-	-	-	-	-	-	-	-	-
Closing balance - Agricultural										
Consumables										
Standard Rated										
Opening Balance	432	432	432	-	-	-	432	-	-	-
Acquisitions	865	561	1 302	11 422	9 012	9 012	1 693	21 978	14 045	14 650
Issues	7	-	-	-	-	-	-	-	-	-
Adjustments	8	-	-	-	-	-	-	-	-	-
Write-offs	9	(387)	(387)	-	-	-	(387)	-	-	-
Closing balance - Consumables Standard Rated	911	626	1 347	11 422	9 012	9 012	1 739	21 978	14 045	14 650
Zero Rated										
Opening Balance	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Issues	7	-	-	(9 969)	(9 012)	(9 012)	-	(21 978)	(14 045)	(14 650)
Adjustments	8	-	-	-	-	-	-	-	-	-
Write-offs	9	-	-	-	-	-	-	-	-	-
Closing balance - Consumables Zero Rated	-	-	-	(9 969)	(9 012)	(9 012)	-	(21 978)	(14 045)	(14 650)
Finished Goods										
Opening Balance	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Issues	7	-	-	-	-	-	-	-	-	-
Adjustments	8	-	-	-	-	-	-	-	-	-
Write-offs	9	-	-	-	-	-	-	-	-	-
Closing balance - Finished Goods	-	-	-	-	-	-	-	-	-	-
Materials and Supplies										
Opening Balance	-	-	-	-	1 386	1 386	-	1 386	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Issues	7	-	-	-	-	-	-	-	-	-
Adjustments	8	-	-	-	-	-	-	-	-	-
Write-offs	9	-	-	-	-	-	-	-	-	-
Closing balance - Materials and Supplies	-	-	-	-	1 386	1 386	-	1 386	-	-
Work-in-progress										
Opening Balance	-	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Closing balance - Work-in-progress	-	-	-	-	-	-	-	-	-	-
Housing Stock										
Opening Balance	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-	-
Closing Balance - Housing Stock	-	-	-	-	-	-	-	-	-	-
Land										
Opening Balance	15 202	9 005	9 005	-	9 005	9 005	9 005	9 005	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-
Correction of Prior period errors	-	-	-	-	-	-	-	-	-	-
Closing Balance - Land	15 202	9 005	9 005	-	9 005	9 005	9 005	9 005	-	-
Closing Balance - Inventory & Consumables	16 113	9 631	10 352	1 453	10 391	10 391	10 744	10 391	-	-
Property, plant and equipment (PPE)										
PPE at cost/valuation (ex cl. finance leases)	1 240 596	1 179 639	1 227 332	835 339	851 784	851 784	1 253 192	851 696	48 621	52 295
Leases recognised as PPE	12 864	13 234	13 234	-	1 457	1 457	13 234	21 279	-	-
Less: Accumulated depreciation	465 887	416 660	470 607	57 500	38 108	38 108	(470 607)	39 937	41 894	43 570
Total Property, plant and equipment (PPE)	787 573	776 213	769 959	777 839	815 133	815 133	1 737 034	833 036	6 927	6 725

LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)		-	-	-	401	401	401	-	-	-	-
Current portion of long-term liabilities		-	-	379	-	-	-	(379)	(401)	(401)	(401)
Total Current liabilities - Borrowing		-	-	379	401	401	401	(379)	(401)	(401)	(401)
Trade and other payables											
Trade Payables	5	167 188	135 284	88 479	6 008	109 912	109 912	(74 059)	5 278	(101 259)	(107 546)
Other creditors		1 055	-	-	-	-	-	-	-	-	-
Unspent conditional transfers		12 043	6 042	36 009	5 441	4 332	4 332	(68 187)	(137 448)	(112 990)	(108 672)
VAT		305 237	332 775	343 599	-	21 649	21 649	(363 114)	-	-	-
Total Trade and other payables	2	485 523	474 102	468 086	11 450	135 893	135 893	(505 359)	(132 170)	(214 249)	(216 221)
Non current liabilities - Borrowing											
Borrowing	4	5 514	4 194	2 251	2 443	3 797	3 797	(1 595)	3 992	1 422	1 486
Finance leases (including PPP asset element)		-	-	-	-	-	-	-	-	-	-
Total Non current liabilities - Borrowing		5 514	4 194	2 251	2 443	3 797	3 797	(1 595)	3 992	1 422	1 486
Provisions - non-current											
Retirement benefits		29 152	25 536	24 092	-	33 833	33 833	(24 092)	-	-	-
Refuse landfill site rehabilitation		28 654	29 827	31 133	25 115	16 191	16 191	(31 133)	16 191	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Provisions - non-current		57 807	55 362	55 225	25 115	50 024	50 024	(55 225)	16 191	-	-
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		906 361	852 322	851 578	-	844 725	844 725	(851 578)	-	-	-
GRAP adjustments		-	-	-	-	-	-	-	-	-	-
Restated balance		906 361	852 322	851 578	-	844 725	844 725	(851 578)	-	-	-
Surplus/(Deficit)		(130 527)	210 760	161 727	89 542	81 835	81 835	201 219	151 901	146 111	148 272
Transfers to/from Reserves		-	-	-	-	-	-	-	-	-	-
Depreciation offsets		-	-	-	-	-	-	-	-	-	-
Other adjustments		24 891	55 048	32 554	-	-	-	(32 284)	-	-	-
Accumulated Surplus/(Deficit)	1	800 725	1 118 130	1 045 860	89 542	926 561	926 561	(682 643)	151 901	146 111	148 272
Reserves											
Housing Development Fund		-	-	-	-	-	-	-	-	-	-
Capital replacement		-	-	-	-	-	-	-	-	-	-
Self-insurance		-	-	-	-	-	-	-	-	-	-
Other reserves		-	-	-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-	-	-
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	800 725	1 118 130	1 045 860	89 542	926 561	926 561	(682 643)	151 901	146 111	148 272



Inkosi Langalibalele
LOCAL MUNICIPALITY - UMKHANDLU WENDAWO

OFFICE OF THE MUNICIPAL MANAGER
INKOSI LANGALIBALELE LOCAL MUNICIPALITY – UMKHANDLU WENDAWO
PO BOX 15, Estcourt, 3310 Physical Address: Civic Building, 1 Victoria Street, Estcourt
Tel. No.: 036 342 7800.

MUNICIPAL MANAGERS QUALITY CERTIFICATE

I P.S Mkhize, Municipal Manager of Inkosi Langalibalele Municipality hereby certify that the Draft Budget report for 2022/2023 financial year and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Draft Budget report and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name..... *PATRICK SIBUSISO Mkhize*

Municipal Manager of Inkosi Langalibalele Municipality (KZN237)

Signature:

[Handwritten Signature]

Date:

01/04/2022