

Draft Budget Report of the Municipality

Prepared in terms of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 April 2009.



Msinga Municipality Final Budget for The Year 2020/2021

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Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget – The financial plan of the Municipality in terms chapter 4 of the MFMA.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP – Expanded Public works Programme.

FFC – Financial and Fiscal Commission.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS – Geographic Information System.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

ISDF – Integrated Strategic Development Framework - The 20 year framework linking technical, financial and economic planning.

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MEC – Minister in Executive Committee (Province).

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC – Municipal Public Accounts Committee.

MSAC – Municipal Service Accessibility Charge.

The municipal charge levied on the basic government electricity charge for municipal services available to the household.

NERSA – National Electricity Regulator of South Africa.

NT – National Treasury.

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M – Repairs and maintenance on property, plant and equipment.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM – Supply Chain Management.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget is divided. In Knysna Municipality this means at directorate level.

PART 1 – IN-YEAR REPORT

1. Mayor's report



Honourable speaker, and all councillors, Municipal manager and his team as well as members of the public I greet you all.

Allow me to fulfil my responsibility in terms chapter 4 of the MFMA. This draft budget follows an intense mid-year review and adjustments budget for the 2019/2020 where the municipal council took a decision to adjust its original budget and a second adjustments budget adopted on 27 May 2020. This main is meant to address:

- a) That the municipality incorporate changes in fiscus allocations made by both National and Provincial government;
- b) To correct some errors and misallocations in the municipal original draft budget documents, Schedule A;
- c) That Directorates ensure more alignment between the IDP, PMS and Budget Process;
- d) That co-ordination internally be improved immediately through the Office of the Municipal Manager;
- e) That Directorates re-align the Mid-Year performance to Monthly Projections of expenditure on the Operational and Capital budget based on the the 2020/2021 annual plans;
- f) That the municipality ensures compliance and avoid deficit as per the KZN Provincial Treasury's circular;

We as the council of uMsinga Local Municipality are gathered here today to consider the draft budget for the year 2020/2021. It is not an easy assignment due to the following reasons:

- Limited funds allocated to the municipality including reduced grants allocation;
- Unlimited needs of our communities;
- Infrastructure backlogs in our respective wards;
- Exorbitant office operating cost;
- Poor economic climate in South Africa accompanied by the recent economic recession

In this, I have had an opportunity to interact and interrogate management and other councillors with regards to their departmental and wards performance as per our mandate. It has been clear that we have to put our communities upfront due to the budget constraints.

The focus of this report is not to deviate much from the planned projects but rather to ensure that original plans are still relevant and in accordance the needs of the community. We have updated all the municipal programs that are performing well while at the same time decided to accelerate on the one that are lagging behind in terms of the targets.

Honourable speaker, allow me to highlight the following main items and projects as captured in this this draft budget:

- Total draft budget for 2020/2021 is R275 million.
- The municipality has done very well in terms of total collection including grant allocation in the current year. We have been able to collected more grants than anticipated. However, grants allocation has been cut significantly in the 2020/2021.
- We have been able to implement quiet a number of capital programs as per the approved budget in the 2019/2020 financial year. However, most of the projects such as halls, two room houses and classrooms are still under construction. We have attached here the list of proposed projects to be implemented in the 2020/2021 financial year.

- In terms of operational budget, the municipality is still operating within the approved budget. However, we have been forced by circumstances to adjust our operating budget due to terms and conditions set by treasury. We are therefore, requested to ensure that we further cut spending and stick to cost containments measures issued by treasury.
- We have been able fill some critical positions that were vacant during the past financial year and which is the biggest contributor on this day. However, the municipality is expected to consider if there is a need to review the existing organisational structure and conclude if it is in a good shape to achieve the municipal goals.

Below is the detailed draft budget for the 2020/2021 which I would to present before the council members for discussion and consideration.

I thank you

Mrs BP Ngcobo

2. Resolution

A signed resolution is attached together with the budget certificate under section 17.

3. Executive summary

Purpose

The draft budget report is used as a management tool to assess the Municipality's performance and financial position against the approved budget of the current and previous years by analysing trends and patterns for the past to current financial years, with a view of giving effect to the Mayor and Council's oversight role and to recommend the need for an adjustment budget as envisaged by the Municipal Finance Management Act.

Legislative background

In terms of Section 28(1) to 28(7) of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA) the

16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

(3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

4. In-year budget statement tables

KZN244 Msinga - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M11 May

KZN244 Msimanga - Table C4 Monthly Budget Statement - Financial Performance (Revenue and expenditure) - W11 May										
Description	Ref	2018/19	Budget Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		18,476	19,365	18,874	1,361	15,285	17,301	(2,016)	-12%	18,874
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		429	500	384	33	354	352	3	1%	384
Rental of facilities and equipment		916	517	701	52	618	643	(25)	-4%	701
Interest earned - external investments		5,609	5,397	6,097	380	4,442	5,589	(1,147)	-21%	6,097
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	112	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		160,945	193,182	193,032	1,958	189,523	193,032	(3,509)	-2%	193,032
Other revenue		371	589	718	70	265	658	(393)	-60%	718
Gains		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		186,747	219,662	219,806	3,854	210,488	217,574	(7,087)	-3%	219,806
Expenditure By Type										
Employee related costs		56,870	61,769	71,919	5,760	63,599	65,926	(2,327)	-4%	71,919
Remuneration of councillors		12,019	12,071	12,792	1,905	11,790	11,726	64	1%	12,792
Debt impairment		4,974	3,000	3,000	-	5,365	2,750	2,615	95%	3,000
Depreciation & asset impairment		26,660	23,016	23,016	1,918	21,098	21,098	-	-	23,016
Finance charges		671	500	500	-	-	458	(458)	-100%	500
Bulk purchases		-	-	-	-	-	-	-	-	-
Other materials		-	17,571	12,862	1,865	9,939	11,790	(1,851)	-16%	12,862
Contracted services		43,909	53,954	53,951	2,268	46,962	49,455	(2,493)	-5%	53,951
Transfers and subsidies		5,548	-	-	-	-	-	-	-	-
Other expenditure		34,103	43,007	41,766	1,164	27,632	38,285	(10,653)	-28%	41,766
Losses		-	-	-	-	-	-	-	-	-
Total Expenditure		184,753	214,889	219,806	14,880	186,385	201,488	(15,104)	-7%	219,806
Surplus/(Deficit)		1,994	4,773	0	(11,026)	24,103	16,086	8,017	0	0
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		36,715	49,422	49,422	4,041	37,832	41,185	(3,353)	(0)	49,422
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		38,709	54,195	49,422	(6,985)	61,935	57,271			49,422
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		38,709	54,195	49,422	(6,985)	61,935	57,271			49,422
Attributable to minorities		-	-	-	-	-	-			-
Surplus/(Deficit) attributable to municipality		38,709	54,195	49,422	(6,985)	61,935	57,271			49,422
Share of surplus/(deficit) of associate		-	-	-	-	-	-			-
Surplus/(Deficit) for the year		38,709	54,195	49,422	(6,985)	61,935	57,271			49,422

Revenue by Source

- The billing for property rates for this reporting period amount to R1 361m. The billing amount has been fairly constant due to the fact that there has been no

new added accounts and the Valuation Roll will be revised for the new financial year.

- Service Charges, the billing for service charges remains at R33 000.00. It was needed that the downward adjustment be done, this is reflected by zero variance.
- Rental of Fixed Assets and Facilities – The billed revenue on fixed assets is R52 000.00. This is due to the new account that was added to billing.
- Interest Earned on Investments: Interest earned from investments and main accounts amount to R 3 150 million. This value reflects the work that has been done to align investment data to the main system.
- Revenue transferred to transfers and subsidies this reporting amount to R9 995 million. This is an amount transferred to revenue from municipal conditional grants. The municipality is determined and confident that all conditional grants will be spent in this financial year.
- Other Revenue: this stream of revenue has reported a monthly actual of R5 000.00. What is depicted on the table is a variance of -63%, which can be taken as a strong indicator that the projected revenue may never be fully realised. The municipality will need to revise this budget in the next financial year.

Expenditure by Type

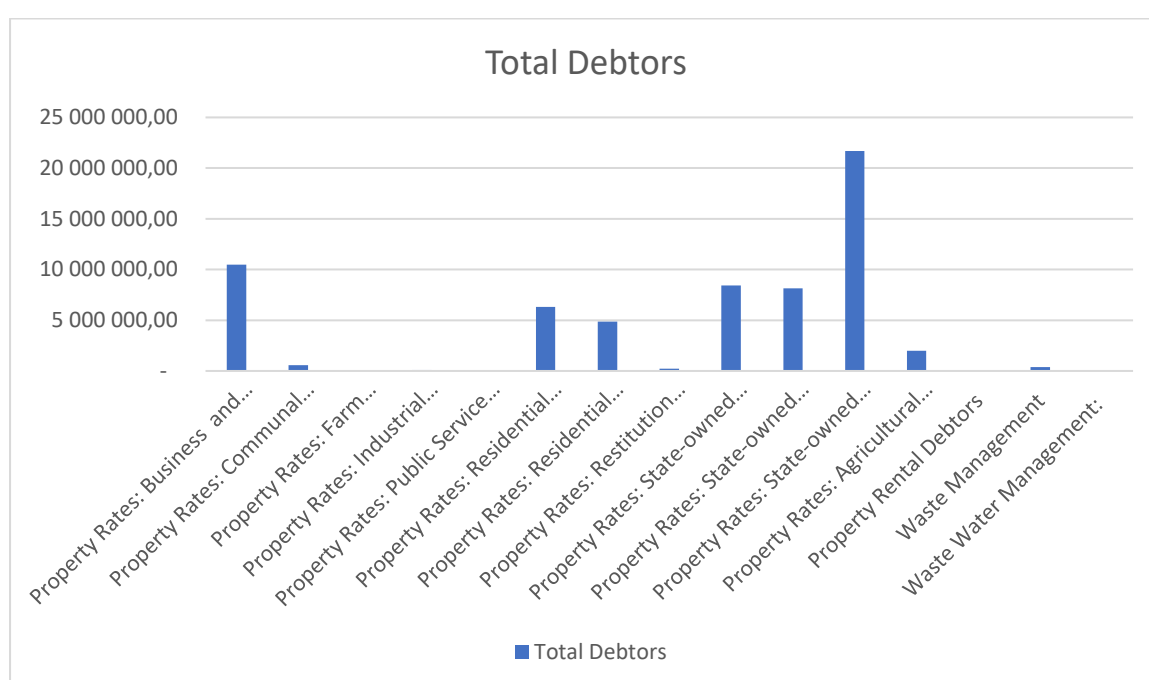
- Employee Related Cost variance is now down to -2% from 15% in the last reporting period. The Municipality had to adjust upwards the employee cost to curb unauthorised expenditure.
- Councillors allowances has a variance of -7%, higher than -2% reported in the prior period. The -7% is the accumulative variance resulting from the appointment of the new councillor.
- Contracted Services reported an expenditure reports a variance of 7%, which indicated that the budget is implemented at the fast pace, and this is critical for service delivery.

PART 2 – SUPPORTING DOCUMENTATION

5. Debtors' Analysis

Debtors Age Analysis as at 30 April 2020

Due Period	Doc Date	Doc Type	Doc Number	P/O Reference	Doc Period	Net Amount
Ageing :	0days	30days	60days	90days	120days	Total
Current	976 712,11	968 853,67	852 144,56	948 695,31	33 013 493	36 759 898,85

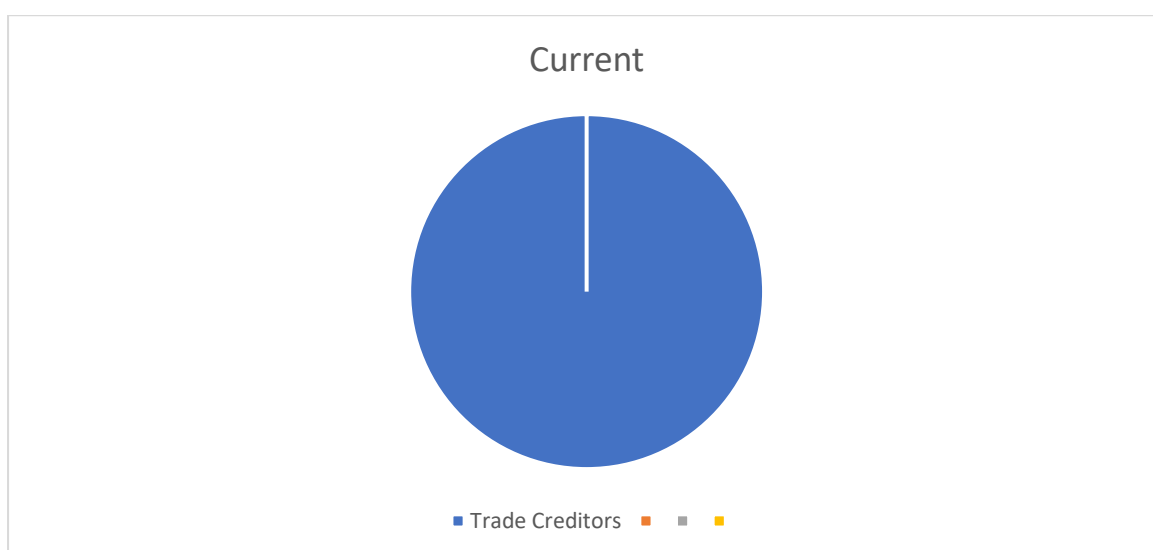


6. Creditors' Analysis

- The municipality is currently sitting with short term creditors under current and no long outstanding creditors due to good financial health. The same is expected in the next financial year 2020-2021 financial year. The municipality promotes support to small business and settle all due payments within the stipulated time frame as per section 65 of the MFMA.

Creditors Age Analysis as at 30 April 2020

Due Period	Doc Date	Doc Type	Doc Number	P/O Reference	Doc Period	Net Amount
Ageing :	0days	30days	60days	90days	120days	Total
Current	875 770,61					875 770,61



7. Investment portfolio analysis

Investment Register as at 30 April 2020

Financial Institution	Type of Investment	Account Number	Start Date	Maturity Date	Interest Rate	Balance as at 01 March 2020
Standard Bank	Call Account	348466013-012	08/04/2019	Call Account	6%	159 877,22
Standard Bank	Fixed	348466013-022	04/06/2019	02/06/2020	7,40%	1 431 588,26
Standard Bank	Fixed	348466013-028	15/06/2019	30/06/2020	7,40%	10 857 410,12
FNB	Fixed	62778819303	30/06/2019	30/06/2020	5,75%	6 192 979,27
ABSA	Call Account	9352269006	30/07/2019	Call Account	6%	4 878 817,17
FNB	Fixed	74836198420	12/12/2019	11/06/2020	7%	5 078 575,34
FNB	Fixed	74820036652	30/07/2019	27/05/2020	7,22%	15 633 427,13
FNB	Fixed	62499591777	30/07/2019	30/06/2020	4,90%	1 324 711,58
Standard Bank	Call Account	348466013-018	31/07/2019	Call Account	6,35%	3 218 663,25
Standard Bank	Call Account	348466013-023	12/12/2019	Call Account	6,35%	9 199 620,83
Standard Bank	Fixed	348466013-027	12/12/2019	12/06/2020	7,38%	10 000 000,00
FNB	Fixed	74848373812	25/03/202	25/06/2020	5,98%	
						67 975 670,17

8. Allocation and grant receipts and expenditure

Details	Allocation as per (Dora)
	R
Municipal Infrastructure Grant (MIG)	37 189 000,00
Financial Management Grant (FMG)	1 900 000,00
Library Grant	1 219 000,00
Integrated National Electrification Programme (INEP)	17 000 000,00
EPWP	4 441 000,00
COVID-19 Grant	960 000.00
EQS	175 125 000,00
TOTALS	237 834 000,00

9. Councillor member allowances and employee benefits

Council Members Allowances

KZN244 Msinga - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		–	7 939	7 796	9 396	9 093	–	10 754	11 614	12 543
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	60	–	–	69	74	80
Motor Vehicle Allowance		–	1 597	2 475	1 738	2 358	–	1 989	2 148	2 320
Cellphone Allowance		–	1 683	1 573	877	1 340	–	1 004	1 084	1 171
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		–	–	–	–	–	–	–	–	–
Sub Total - Councillors		–	11 219	11 843	12 071	12 792	–	13 815	14 920	16 114
% increase	4		–	5,6%	1,9%	6,0%	(100,0%)	–	8,0%	8,0%

- Total planned municipal allowances is 13.8 million from 12.7 for 2019-2020 adjustment budget;
- The anticipated increase is due to expected increase for council allowances of 7.9 percent in the coming financial year.

Employee Benefits

KZN244 Msinga - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
	1	A	B	C	D	E	F	G	H	I
Other Municipal Staff										
Basic Salaries and Wages		–	33 189	51 936	51 194	63 840	–	63 696	68 791	74 294
Pension and UIF Contributions		–	261	334	262	398	–	336	363	392
Medical Aid Contributions		–	1 425	1 147	2 343	1 974	–	3 118	3 368	3 637
Overtime		–	1 576	1 817	1 179	1 192	–	1 511	1 632	1 763
Performance Bonus		–	1 567	2 069	2 944	2 450	–	3 966	4 283	4 626
Motor Vehicle	3	–	2 648	159	3 527	1 579	–	4 636	5 007	5 408
Cellphone Allow	3	–	–	–	–	–	–	–	–	–
Housing Allow	3	–	89	147	84	229	–	108	116	126
Other benefits	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	290	78	75	97	–	96	104	112
Long service awards		–	18	76	160	160	–	205	221	239
Post-retirement	6	–	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff		–	41 062	57 764	61 769	71 919	–	77 673	83 886	90 597
#REF!	#REF!		–	40,7%	6,9%	16,4%	(100,0%)	–	8,0%	8,0%

- The municipality has planned to spend R77.6 million on behalf of its employees from the R71.9 million as per the 2020-2021 adjusted municipal budget;

- Basic salaries are sitting at R63.6 million in 2020-2021 financial year. However, the municipality has to factor an increase for 2020-2021 as soon the 2020-2021 organisation structure is finalised.

10. Parent municipality financial performance

KZN244 Msinga - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands										
Financial Performance										
Property rates	–	13 085	18 469	19 365	16 874	–	11 203	16 489	16 989	17 489
Service charges	–	127	174	500	384	–	256	400	415	430
Investment revenue	451	4 007	5 315	5 397	5 097	–	3 965	4 500	5 000	5 500
Transfers recognised - operational	–	140 907	154 261	193 182	193 032	–	186 548	200 645	204 111	217 424
Other own revenue	107 930	634	1 542	1 218	1 419	–	661	1 050	1 085	1 125
Total Revenue (excluding capital transfers and contributions)	108 380	158 759	179 761	219 662	216 805	–	202 633	223 084	227 600	241 968
Employee costs	–	40 985	56 870	61 769	71 919	–	47 198	67 703	83 886	90 597
Remuneration of councillors	–	11 219	12 019	12 071	12 792	–	7 899	15 776	14 920	16 114
Depreciation & asset impairment	1 000	21 651	25 292	23 016	23 016	–	–	23 016	24 397	25 861
Finance charges	–	637	594	500	500	–	–	–	–	–
Materials and bulk purchases	393	–	–	17 571	13 862	–	6 663	19 442	14 625	15 743
Transfers and grants	–	2 901	6 908	–	–	–	–	–	–	–
Other expenditure	9 752	112 806	82 367	103 157	101 732	–	67 214	105 666	104 176	111 004
Total Expenditure	11 145	190 199	184 051	218 084	223 821	–	128 975	231 602	242 004	259 319
Surplus/(Deficit)	97 235	(31 440)	(4 290)	1 578	(7 016)	–	73 658	(8 519)	(14 404)	(17 351)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	97 235	38 032	36 715	49 422	49 422	–	29 828	37 189	42 194	44 194
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	194 470	6 592	32 425	51 000	42 406	–	103 486	28 670	27 790	26 843
Share of surplus/ (deficit) of associate	145 363	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	339 833	6 592	32 425	51 000	42 406	–	103 486	28 670	27 790	26 843
Capital expenditure & funds sources										
Capital expenditure	–	(74 861)	59 981	60 770	59 589	–	28 081	50 085	56 282	59 813
Transfers recognised - capital	–	(33 058)	605 823	(49 422)	(49 422)	–	579 547	37 189	42 194	44 194
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	(22 124)	12 148	10 567	–	(22 124)	15 364	14 088	15 619
Total sources of capital funds	–	(33 058)	583 699	(37 274)	(38 855)	–	557 424	52 553	56 282	59 813
Financial position										
Total current assets	54 427	37 080	39 304	13 446	6 183	–	91 965	48 310	(4 084)	(7 098)
Total non current assets	225 979	180 348	212 094	37 754	36 573	–	236 307	235 399	31 885	33 952
Total current liabilities	16 302	30 391	25 021	200	350	–	26 150	24 897	–	–
Total non current liabilities	–	5 785	6 302	–	–	–	6 777	498	–	–
Community wealth/Equity	–	181 252	220 075	51 000	42 406	–	103 486	258 303	27 790	26 843
Cash flows										
Net cash from (used) operating	35 709	21 110	41 177	62 436	56 600	–	97 000	54 677	47 357	48 172
Net cash from (used) investing	(39 955)	(23 474)	(45 398)	(60 770)	(59 589)	–	(53 880)	(52 451)	(56 282)	(59 813)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	36 743	34 379	30 158	31 824	27 169	–	73 278	75 504	66 579	54 938
Cash backing/surplus reconciliation										
Cash and investments available	40 989	34 379	30 158	1 666	(2 989)	–	114 585	32 384	(8 925)	(11 641)
Application of cash and investments	11 613	19 116	2 451	(5 562)	(4 769)	–	19 083	13 968	(3 577)	(3 462)
Balance - surplus (shortfall)	29 376	15 263	27 707	7 228	1 780	–	95 503	18 416	(5 348)	(8 179)
Asset management										
Asset register summary (WDV)	–	–	–	–	–	–	–	–	–	–
Depreciation	–	–	22 326	19 034	19 034	–	–	19 034	20 176	21 387
Renewal and Upgrading of Existing Assets	–	–	(14 159)	12 057	15 247	–	–	2 534	4 762	5 061
Repairs and Maintenance	–	–	–	6 575	7 490	–	–	6 110	6 499	6 911
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	11	11	11	11
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

BUDGET FUNDING

DETAILS	AMOUNT
Total grants	R237 834 000.00
Other income	R22 439 000.00
Total income expected	R260 273 000.00
Less: Operating expenditure	R231 062 000.00
Less: Capital Expenditure	R52 553 000.00
Funding from cash reserves	R23 342 000.00

- The draft budget for uMsinga municipality indicated, that its planned financial performance is well funded compared to the previous years and which is a good sign. The same has been noted due to healthy cash reserves available.
- However, we have noted as the municipality that, some of the income items such as rates and interest will have some difficulties to achieve the set target. Reason being the debtor's collection rate which is very poor. The municipality has resolved to amend its rates policy and stop charging rates on residential land owned by Ingonyama Trust Board (ITB).
- The operational expenditure is also well managed as per cost containment measures adopted by council. However, more detailed checking still needs to be done. However, due to programmes transferred from 2019/2020 to 2020/2021 financial year, some of the 2020/2021 programs will be funded by cash reserves.
- The municipality will once again have the opportunity to adjustments the budget at mid-year should things not go according to plan.
- The municipality's employee related cost is growing each year and which brings some concerns.
- Councillors allowances are also slightly up compared to the current year 2019/2020 due to the annual increase or adjustment.

11. Municipal entity financial performance

The municipality has no entity.

12. Capital programme performance

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure - to be appropriated	2										
Vote 1 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 2 - Energy Sources		-	-	-	-	-	-	-	-	-	-
Vote 3 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 4 - Finance and Admin		-	-	-	-	-	-	-	-	-	-
Vote 5 - Governance		-	-	-	-	-	-	-	-	-	-
Vote 6 - Tourism		-	-	-	-	-	-	-	-	-	-
Vote 7 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 9 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 10 - Sports and Recreation		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 12 - Null		-	-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure - to be appropriated	2										
Vote 1 - Community and Social Services		-	(8 711)	10 416	2 796	2 919	-	643	1 554	2 553	2 713
Vote 2 - Energy Sources		-	-	-	1 500	308	-	-	7 192	8 099	7 960
Vote 3 - Executive and Council		-	-	-	80	-	-	61	3 053	91	97
Vote 4 - Finance and Admin		-	(193 472)	(269 253)	17 499	14 108	-	5 384	16 876	16 254	17 921
Vote 5 - Governance		-	-	-	-	-	-	-	-	-	-
Vote 6 - Tourism		-	-	30	830	234	-	-	-	943	1 003
Vote 7 - Planning and Development		-	-	306	1 950	2 053	-	357	1 742	2 216	2 356
Vote 8 - Public Safety		-	(22 352)	7 941	1 959	128	-	23	412	522	554
Vote 9 - Road Transport		-	131 268	(61 625)	24 104	25 591	-	13 588	19 979	22 587	24 004
Vote 10 - Sports and Recreation		-	17 583	3 452	9 429	13 376	-	7 655	754	857	911
Vote 11 - Waste Management		-	823	368 715	623	792	-	369	990	2 160	2 295
Vote 12 - Null		-	-	-	-	-	-	-	-	-	-
Vote 13 - Null		-	-	-	-	-	-	-	-	-	-
Vote 14 - Null		-	-	-	-	-	-	-	-	-	-
Vote 15 - Null		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	(74 861)	59 981	60 770	59 589	-	28 081	52 553	56 282	59 813
Total Capital Expenditure - Vote		-	(74 861)	59 981	60 770	59 589	-	28 081	52 553	56 282	59 813
Capital Expenditure - Functional											
Governance and administration		-	(193 472)	(269 253)	17 579	14 188	-	5 445	17 461	16 345	18 017
Executive and council		-	-	-	80	-	-	61	585	91	97
Finance and administration		-	(193 472)	(269 253)	17 499	14 108	-	5 384	16 876	16 254	17 921
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	(13 480)	21 809	14 184	16 424	-	8 321	2 721	3 932	4 179
Community and social services		-	(8 711)	10 416	2 796	2 919	-	643	1 554	2 553	2 713
Sport and recreation		-	17 583	3 452	9 429	13 376	-	7 655	754	857	911
Public safety		-	(22 352)	7 941	1 959	128	-	23	412	522	554
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	306	1 950	2 053	-	357	1 742	2 216	2 356
Planning and development		-	-	306	1 950	2 053	-	357	1 742	2 216	2 356
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	132 091	307 089	26 227	26 691	-	13 958	28 162	32 845	34 259
Energy sources		-	-	-	1 500	308	-	-	7 192	8 099	7 960
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	131 268	(61 625)	24 104	25 591	-	13 588	19 979	22 587	24 004
Waste management		-	823	368 715	623	792	-	369	990	2 160	2 295
Other		-	-	30	830	234	-	-	-	943	1 003
Total Capital Expenditure - Functional	3	-	(74 861)	59 981	60 770	59 589	-	28 081	50 085	56 282	59 813
Funded by:											
National Government		-	(53 948)	605 823	(49 422)	(49 422)	-	579 547	37 189	42 194	44 194
Provincial Government		-	20 890	-	-	-	-	-	-	-	-
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	-	(33 058)	605 823	(49 422)	(49 422)	-	579 547	37 189	42 194	44 194
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	(22 124)	12 148	10 567	-	(22 124)	15 364	14 088	15 619
Total Capital Funding	7	-	(33 058)	583 699	(37 274)	(38 855)	-	557 424	52 553	56 282	59 813

13. Cash Flow

KZN244 Msinga - Table A7 Budgeted Cash Flows

ZNZ44 Msinga - Table A7 Budgeted Cash Flows											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		9 950	8 373	16 000	8 885	8 885	–	11 263	10 900	12 200	13 000
Service charges		702	2 576	590	–	–	–	466	360	374	387
Other revenue		6 304	634	5 319	1 218	1 419	–	(10 170)	1 050	1 085	1 125
Transfers and Subsidies - Operational	1	138 434	178 939	173 871	193 182	193 032	–	186 548	199 685	204 111	217 424
Transfers and Subsidies - Capital	1	39 300	29 016	36 715	49 422	49 422	–	29 828	37 189	42 194	44 194
Interest		2 948	4 007	5 609	5 397	5 097	–	3 965	4 500	5 000	5 500
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(161 930)	(202 435)	(196 927)	(194 868)	(200 605)	–	(141 323)	(199 007)	(217 607)	(233 458)
Finance charges		–	–	–	(500)	(500)	–	–	–	–	–
Transfers and Grants	1	–	–	–	(300)	(150)	–	16 424	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		35 709	21 110	41 177	62 436	56 600	–	97 000	54 677	47 357	48 172
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	32	–	–	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		(39 955)	–	–	–	–	–	(25 799)	–	–	–
Payments											
Capital assets		–	(23 474)	(45 430)	(60 770)	(59 589)	–	(28 081)	(52 451)	(56 282)	(59 813)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(39 955)	(23 474)	(45 398)	(60 770)	(59 589)	–	(53 880)	(52 451)	(56 282)	(59 813)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	(4 246)	(2 364)	(4 221)	1 666	(2 989)	–	43 120	2 226	(8 925)	(11 641)
Cash/cash equivalents at the year end:	2	40 989	36 743	34 379	30 158	30 158	–	30 158	73 278	75 504	66 579
	2	36 743	34 379	30 158	31 824	27 169	–	73 278	75 504	66 579	54 938

- The municipality has decided to stop billing rates on residential consumers residing under Ingonyama Trust Land (ITB) within the municipality due to poor collection will results to over-stated billing amount which is not collectable. The municipal bill has since been reduced to R16.5 million from R19.4 million in 2019/2020;
- The reduction in the 2020/2021 billing has resulted to a projected R10.9 million or 66 percent;
- The billing for Other revenue has also been adjusted down by 26 percent of the 2019/2020 Adjustments Budget and the 2020/2021 anticipated collection is expected to match the 100 percent budget of R1.050 planned total to be generated.
- Planned Capital Expenditure is R52.4 million and which is 100 percent of the planned and budgeted Capital Expenditure due to good previous record in the last years;
- There are no long-term liabilities and the municipality is not planning to acquire any new loans in the coming financial year. The current financial position is

health and investment balance sitting at more than R100 million at the end of March 2020.

- The municipality anticipates a positive cash balance at the end of next financial year, 2020/2021.

14. Other supporting documents

14.1 THE MUNICIPAL FINANCE MANAGEMENT ACT (56 OF 2003)

In terms of the Municipal Finance Management Act (MFMA), the budgeting process of the Municipality and the Integrated Development Planning must be aligned and mutually consistent. This legislation provides a framework for a democratic, accountable and developmental local government system, as envisaged by the Constitution of the Republic of South Africa (1996). The Municipal finance is governed by the stipulation of the MFMA, the Municipality prepares its financial documents in line with the dates, mechanism and procedures specified in the act.

14.2 NATIONAL DEVELOPMENT PLAN 2030

The National Development Plan is a long-term perspective which defines desired destinations and identifies roles of sectors in societies. It seeks to:

- The NDP aims to eliminate poverty and reduce inequality by 2030; Build capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

Hence, the municipal short term, medium and long-term plan are commitment towards corruption free, infrastructural development, poverty eradication and supporting local economic development initiatives towards the financial and social emancipation of the uMsinga community. Therefore, this indicated that the municipality is determined to ensure poverty eradication within its demarcation to assist with achieving National Development Plan objectives in 2030.

NATIONAL PLAN PRIORITIES

NP GOAL NO	NATIONAL PRIORITY	KZ244 GOAL NO	MSINGA LOCAL MUNICIPALITY DESCRIPTION
1	Create jobs	2	To reduce poverty through Local Economic development initiatives: Poverty alleviation

2	Expand infrastructure	1	Infrastructure Development and Basic Services Delivery
3	Use resources properly	3	Municipal Transformation, Organisational and Human Resource Development
4	Inclusive planning	5	Good Governance and Public Participation
5	Quality education	6	To reduce poverty through Local Economic development initiatives
6	Quality healthcare	6	Safe and sustainable environment
7	Build a capable state	2	Municipal Transformation, Organisational and Human Resource Development
8	Fight corruption	5	Good Governance and Public Participation
9	Unite the nation	5	Good Governance and Public Participation

PLANNED PROGRAMMES FOR 2020/2021 ARE LISTED IN ANNEXURE A (SDBIP)

15. In-year reports of the municipality entities

The municipality has no entity.

16. Recommendations by the accounting officer

Alignment:

- That Directorates ensure more alignment between the IDP, PMS and Budget Process;
- That co-ordination internally be improved immediately through the Office of the Municipal Manager;
- That Directorates re-align the Draft Budget to both Mid-Year Review and Monthly Projections of expenditure on the Operational and Capital budget based on the Mid-year assessed SDBIP's.

Reporting:

- That monthly monitoring of Draft Budget Process, Draft SDBIP's and Planned Capital Program through the respective Portfolio Committees be effective immediately;

- b) That Directors comply with monthly reporting requirements to ensure compliance with all targets and make input in the 2020/2021 Draft Budget process the relevant portfolio committees and Steering committee;
- c) That the financial system, collaborator and performance management system be re-aligned to ensure accurate performance reports are prepared and submitted.

Budget:

- a) That options for the implementation of the capital program be reviewed to ensure the effective and timeous implementation of the projects and make the necessary recommendations to the Draft Budget process should there be a need to postpone some of the planned programs to the following year;
- b) That internal project management processes be improved to ensure effective implementation of the capital program for both current year and next financial year 2020/2021;
- c) That the number of cost centres on the budget be rationalized and aligned to the organizational structure, while taking into account the requirements of National Treasury GFS reporting, in the 2020/21 financial year;

17. Municipal manager's quality certificate and Council Resolution

UMSINGA LOCAL MUNICIPALITY

UMASIPALA WASE MSINGA



**CERTIFIED EXTRACT OF THE MINUTES OF THE FULL COUNCIL MEETING HELD ON THE 27 MAY 2020
VIA ZOOM AT 10H00**

MEMBERS PRESENT

- Cllr BP Ngcobo : Her Worship the Mayor
- Cllr TL Kunene : The Speaker
- Cllr M Buthelezi
- Cllr TB Mbatha
- Cllr TM Ndlovu
- Cllr JV Langa
- Cllr MW Sokhela
- Cllr SC Mpungose
- Cllr MN Mabaso
- Cllr LE Danisa
- Cllr P Dladla
- Cllr B Dumakude
- Cllr BP Madondo
- Cllr M Sithole

- Cllr FJ Sikhakhane
- Cllr GB Sikhakhane
- Cllr MS Khoza
- Cllr MMS Myeza
- Cllr B Mthethwa
- Cllr S Magubane
- Cllr AS Shezi
- Cllr LB Ntuli
- Cllr DM Ndlovu
- Cllr ZC Magwaza
- Cllr SR Sokhulu
- Cllr SK Radebe
- Cllr N Majosi
- Cllr S Ximba
- Cllr ZE Shange
- Cllr XS Xaba
- Cllr M Mtungwa
- Cllr T Mtungwa
- Cllr ME Ngobe

13.2 FINAL BUDGET AND PROCUREMENT PLAN

13.2.1 Second Adjustment Budget for 2019/2020 Financial Year;

13.2.2 2020/2021 Draft Budget;

13.2.3 2020/2021 Draft Budget KZN Treasury Analysis Report;

13.2.4 Monthly Budget Statement (Section 71) and

13.2.5 Third Quarter SCM Report and Procurement Plan.

All of the above items were presented by the Executive Committee Chairperson Her Worship the Mayor Cllr BP Ngcobo.

PURPOSE:

- To submit all of the above items to Council.

RESOLVED

It was resolved that:

1. The report by the Executive Committee is hereby **Noted**.
2. The Council takes notes of the item as per Accounting Officer's Procurement Plan for 2019/2020 financial year report and Final Budget.
3. Executive Committee resolved to request more funds from Cogta for Covid-19 due to more

population at uMsinga.

4. Cllr FJ Sikhakhane proposed adoption and seconded by Cllr S Magubane.

RESOLUTION NUMBER: 30/2020 FC

This extract is certified as the true reflection of the Council discussion.

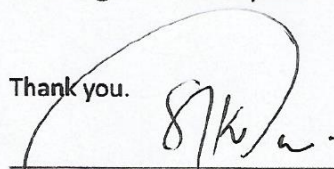


uMSINGA MUNICIPALITY
UMKHANDLU WASEMSINGA
PRIVATE BAG X530
TUGELA FERRY 3010
EMAIL:senzo.sokhela@umsinga.gov.za

BUDGET QUALITY CERTIFICATE FINAL 2020/2021

I Senzo Lieughtenent Sokhela, municipal manager of **uMsinga Municipality**, hereby certify that the Annual Budget Final and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act, and that the Annual Budget Final and supporting documents are consistent with the Integrated Development Plan of the municipality.

Thank you.


Mr. Senzo Lieughtenent Sokhela
The Accounting Officer
uMsinga Municipality (KZN244)
Date: 27/05/2020