

MTHONJANENI LOCAL MUNICIPALITY



2019/20 TO 2021/22 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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1. DEFINITIONS

(1) In this Budget Report, unless the context indicates otherwise –

“accounting officer”

(a) in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Finance Management Act, 2003; and include a person acting as the accounting officer;

“allocation”, in relation to a municipality, means -

- (a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

“annual Division of Revenue Act” means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution;

“approved budget” means an annual budget -

- (a) Approved by a municipal council; or
- (b) Approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;

“basic municipal service” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

“budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality, including -

- (a) The tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) The credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

“budget year” means the financial year for which an annual budget is to be approved in terms of section 16(1) of the Municipal Finance Management Act, 2003.;

“chief financial officer” means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act, 2003.

“councillor” means a member of a municipal council;

“CPI” means Consumer price Index.

“current year” means the financial year which has already commenced, but not yet ended;

“debt” means -

- (a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or
- (b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

“delegation”, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

“district municipality” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

“COGTA” means Cooperative Governance and Traditional Affairs

“EXCO” means Executive Committee of the Council of the Municipality

“GFS” means General Financial Statistic.

“financial year” means a year ending on 30 June;

“IDP” means Integrated Development Plan

“In year reports, in relation to-

(a) a municipality means

- (i) a monthly budget statement of the municipality contemplated in section 71(1) of the MFMA
- (ii) a Quarterly report on the implementation of the budget and financial state of affairs of the municipality contemplated in section 52(d) of the act;
- (iii) a mid-year budget and performance assessment of the municipality contemplated in section 72 of the act.

“investment”, in relation to funds of a municipality, means -

(a) The placing on deposit of funds of a municipality with a financial institution; or

(b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

“lender”, in relation to a municipality, means a person who provides debt finance to a municipality;

“local community” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“local municipality” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

“long-term debt” means debt repayable over a period exceeding one year;

“MANCO” means management committee of the municipality

“MFMA” Municipal Finance Management Act, No. 56 of 2003

“MFMA Regulations or (MBRR)” means regulations relating to Municipal Budget and Reporting

“MTEF” means Medium Term Expenditure Framework

“mayor”, in relation to -

(a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or

(b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;

“month” means one of the 12 months of a calendar year;

“municipality” -

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“municipal service” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“Municipal Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“municipal tariff” means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“municipal tax” means property rates or other taxes, levies or duties that a municipality may impose;

“National Treasury” means the National Treasury established by section 5 of the Public Finance Management Act;

“past financial year” means the financial year preceding the current year;

“NER”, means the National Electricity Regulator;

“Provincial Treasury” means a treasury established in terms of section 17 of the Public Finance Management Act;

“quarter” means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

“Quality certificate”, in relation to

- (a) a municipality, means a certificate issued and signed by the municipal manager of the municipality confirming the accuracy and reliability of the contents of a document prepared or issued by the municipality

“SDBIP” means Service Delivery Budget Implementation Plan

“standards of generally recognised accounting practice” means an accounting practice complying with standards applicable to municipalities or municipal entities and issued in terms of Chapter 11 of the Public Finance Management Act;

“vote” means -

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1 Part 1 – Draft Annual Budget

1.1 Mayor's Report

Honorable Speaker,

Thank you for giving me this opportunity to present a 2019/2020 draft budget and outer subsequence years for Mthonjaneni Municipality. Before I proceed Madam Speaker, allow me to greet Amakhosi aseNdlunkulu in our midst, Deputy Mayor Dlukula, Members of the Executive Committee, Councillors, Municipal Manager, Manyelela, Heads of Departments within our municipality, Officials and valuable members of our community and all other protocol observed.

The 2019/2020 budget has been hard as we are constantly required to do more with fewer resources. Difficult economic conditions still exist. The municipality is not insulated to these events as we live in a global village. Ultimately the negative economic conditions impact the collection of revenue negatively and the prospect of enhancing the municipality's own revenue sources.

Our municipality has successfully implemented a new financial system (Sage Evolution Pastel) and complied with Municipal Regulations on a Standard Chart of Accounts (Mscoa) which became effective from 01 July 2017.

The Consumer Price Inflation is forecast at 5.2 percent for 2019/20, while the Gross Domestic Product growth rate is forecast at 1.5 per cent in 2019 and 1.7 per cent in year 2020. But the projected rate of growth is not sufficient to reduce the current high levels of unemployment or impact significantly on poverty and inequality. Mthonjaneni Municipality, like all other Municipalities and the whole country, has no doubt that the continuing of economic downturn in our country, funding pressures from Eskom and an increase in other financially distressed state-owned companies due to mismanagement and high levels of corruption have conspired to create a very difficult situation for us indeed. The top priority of this budget is to give relief and better service delivery to the people of Mthonjaneni Municipality.

The Municipality's core business is to enhance service delivery for our communities. Despite the limited resources at the disposal of the municipality this budget seeks to better service delivery to our community. We are aware of the challenges being faced by our people.

As we all know, the Municipality's infrastructure is aging, therefore, it becomes more critical that council is able to balance its finances in such a way that we are able to maintain the infrastructure and assets that we have. To this end the municipality is continuously seeking alternative sources of funds to renew this archaic infrastructure. Majority of our people lack basic necessities. It is therefore imperative that this Council puts the foot on the pedal for seeking partnership with other private sector and in pursuit of improving the lives of our people as it is evident from the budget that we cannot do everything on our own with the limited financial resources we have.

Madam Speaker, Merging of the dissolved Ntambanana Municipality to Mthonjaneni came with no additional cent. As a result of a merger our municipality has grown from 6 to 13 wards and our population is 78.8 thousand according to the latest community survey from Statistics South Africa. Beside the increase in number of people we serve, we are still operating with a small budget of six wards of Mthonjaneni. Almost all our wards are rural and have poor infrastructure. We are still waiting for the improvement in the allocation of equitable share and infrastructure grants to our municipality from the National Government that was necessitated by the merger.

Hopefully it will come in our lifetime. As the Municipality we are working very hard to service all wards of Mthonjaneni equally and without any biasness.

We have managed in the past to spend accordingly and in full all the infrastructure grant monies allocated to us. Consequently, National Government decided in the last two years to give us a little bit more top up on Municipal Infrastructure grant from what was initially allocated to us. This was done because we respect and utilize tax payer's money accordingly. This is clear evidence that the leadership of this municipality is working tirelessly to improve the lives of the people of Mthonjaneni and is not condoning corruption and maladministration.

The recent approval by National Electricity Regulator of South Africa (NERSA) of additional increases in the Eskom bulk tariffs by 9.4 percent pose an affordability challenge to our community.

Honorable members, the Auditor General Report for 2017/2018 proves without reasonable doubt that this municipality led by Inkatha Freedom Party is not corrupt and is working for the people of Mthonjaneni. People will also trust us on the 8th of May 2019 election because they now know that their municipality is working for them and therefore they will vote for a party that develops them.

Despite the obstacles in front of us we are pleased to have put together a balanced, reliable, credible and funded budget under the circumstances. As the Council of Mthonjaneni Municipality we are committed to improving efficiency and implementation of sound financial management. In this regard the 2019/20 budget is being funded mainly from Government grants and a small portion from own revenue because our areas are largely rural and don't have much economic activity.

Summary of draft annual budget 2019/20 is as follows:

Description	BUDGET 2019/2020	BUDGET 2020/2021	BUDGET 2021/2022
Operational Revenue	R 143.9 million	R 150.0 million	R 158.6 million
Capital Revenue	R33.0 million	R33.8 million	R34.9 million
Total Revenue	R 176.9 million	R 183.8 million	R193.5 million
Operational Expenditure	R 140.7 million	R 151.2 million	R 162.5 million
Capital Expenditure	R 36.1 million	R 32.4 million	R 30.9 million
Total Expenditure	R176.8 million	R 183.6 million	R 193.5 million
Surplus/(Deficit)	R51.3 thousand	R154.6 thousand	(R 8.0 thousand)

The planned projects for 2019/20 in terms of the Municipal Infrastructure and Electrification grants allocations are as follows:

No.	Project Description	Source of funding	Amount
1.	Urban Roads upgrade and Rehabilitation phase 5	MIG	R2.8 Million
2.	Noziphiva Gravel road - Ward 10	MIG	R 6.8 million
3.	Mthonjaneni Sports field - Ward 3	MIG	R4.8 million

4.	Mehlamasha Community hall - Ward 6	MIG	R3.6 million
TOTAL MIG ALLOCATION			R18.033 million
5.	Thubalethu Extention Housing Project Phase 1, Ward 2 with 500 connections	INEP	R15 million
TOTAL INEP ALLOCATION			R15 million

These projects are expected to commence as from 1 July 2019.

The municipality will continue to provide free basic services such as 50 kilowatt of electricity to indigent households and to assist the indigent communities with burial assistance. We budgeted **R910 thousand** for this program. Each ward will have an allocation of **R70 thousand**.

We will continue with the program of assisting youth of Mthonjaneni with driver's licenses. Allow me to inform the meeting that to date, more than **90** beneficiaries have received their drivers license's that the municipality took under this project last year. This alone will change the lives of these young people and their families.

We will implement this program again where the municipality will take six (6) young people per ward. The budget for this project is **R215 thousand**. We will continue to sponsor first year students who are doing grade 12 for their higher education level, the council has put aside **R250 thousand** for these Bursaries. Among other things that we are planning to do is Mayoral Cup. We have put aside **R500 thousand** for the Mayoral Cup and for other sports development we budgeted **R600 thousand**.

We will host a youth summit during 2019/20 financial year, we have budgeted **R200 thousand** for it. We have put aside budget of **R500 thousand** for Operation Sukuma Sakhe projects. We also have budget of **R1.8 million** for Economic Development for our municipality. Young and emerging businesses will benefit on that. We will also send our Maidens to eNyokeni for uMkhosi woMhlanga. We have put aside **R500 thousand** for that. As a norm, Early Child Development, Senior Citizens and the community leaving with disability, and various forums are allocated certain budgets for their projects or activities.

In conclusion, I would like to thank all the Councillors for their invaluable contributions in this budget, the Municipal Manager, the Heads of Departments and all staff members who made the budget process a success. Honorable Councillors with those few words I have pleasure in placing the 2019/2020 draft capital and operating budget for consideration and approval. It is now time to work smarter, harder and faster in delivering on our core mandate. Your continued support is a testimony and affirmation that we can do better in improving the quality of lives of our communities.

I thank you!. Siyathokoza!

His Worship the Mayor

Cllr SBK BIYELA

1.2 Council Resolutions

1. That in terms of section 16 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the municipality for the financial year 2019/20; and indicative allocations for the two projected outer years 2020/21 and 2021/22; and the multi-year and single year capital appropriations be approved.
2. That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, that tariffs for electricity, Refuse removal, Property rates and other Services as set out in Annexure A be approved with effect from 1 July 2019.
3. That the Municipality's budget related policies remain unchanged.
4. The draft budget 2019/20 in the prescribed format be submitted to National and Provincial Treasury after approval by Council.

1.3 Executive Summary

The application of sound financial management principles for the compilation of 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.

MFMA Circular No. 93 states that South Africa finds itself at a crossroads. The Medium Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, Mr Tito Mboweni highlights the difficult economic and fiscal choices confronting government over the next several years. In the 2018 MTBPS, the Minister of Finance stated that given *the current economic climate the country faces, the government is confronted by difficult economic and fiscal choices over the medium term*. The Minister further indicated that South Africa needs to choose a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment. The path should also stabilise and reduce the national debt, as South Africa cannot afford to borrow at the rate we are currently borrowing at.

The 2018 Budget set out expectations of improved economic performance that proved premature. During the first half of this year, South Africa experienced a technical recession – that is, declining of the two consecutive quarters of Gross Domestic Product (GDP) – driven primarily by contractions in agriculture and mining.

MFMA Circular No. 94 further states that The GDP growth rate is forecasted at 1.5 per cent in 2019, 1.7 per cent in 2020 and 2.1 per cent in 2021. The revisions take into account weaker investment outcomes in 2018, a more fragile recovery in household income and slower export demand than expected due to moderating global growth. Consumer inflation has also been revised down due to lower oil prices and food inflation than previously assumed.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. These factors, alongside continued high unemployment and slow growth will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for municipal revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In this context, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

National Treasury's MFMA Circulars no. 93 and no. 94 were used to guide the compilation of the 2019/20 MTREF.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Wage increases for municipal staff that continues to exceed consumer inflation.

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- The 2018/19 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget were adopted as upper limits for the new baselines for the 2019/20 Final annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

1.4 Operating Revenue Framework

For Mthonjaneni Local Municipality to continue improving the quality of service provided to its citizens, it needs to generate the required revenue. In these tough 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 exceeds available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy
- Effective revenue management
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 Of 2004) (MPRA)

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 1 Operating Revenue Framework

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)

KZN265 million/annum - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	9 817	9 789	11 431	13 850	18 850	18 850	–	19 981	21 179	22 450
Service charges - electricity revenue	2	19 167	19 890	19 976	25 512	27 512	27 512	–	29 988	31 787	33 376
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	1 354	1 046	2 008	1 803	1 803	1 803	–	1 910	2 025	2 177
Rental of facilities and equipment		–	229	227	171	171	171	–	181	192	206
Interest earned - external investments		247	2 176	1 367	1 200	750	750	–	750	795	855
Interest earned - outstanding debtors		3 284	–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		24 309	31 618	10 165	5 000	8 500	8 500	–	1 500	1 590	1 709
Licences and permits		2 070	1 923	1 672	2 881	2 881	2 881	–	3 054	3 237	3 480
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		44 680	71 384	79 370	76 672	76 672	76 672	–	85 379	88 010	93 115
Other revenue	2	1 599	3 374	1 066	1 133	6 898	6 898	–	1 134	1 202	1 292
Gains on disposal of PPE		416	608	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		106 944	142 036	127 282	128 221	144 035	144 035	–	143 877	150 018	158 661

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

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. Interest comprises of; interest on primary bank account as well as interest earned from call investment accounts.

The Transfers recognized – operating and capital was informed by the government gazette no. 42217 dated 8 February 2019 that talks about Equitable share transfers to municipalities in terms of section 38 (2) of the Division of Revenue Act.

It should be also noted that the anticipated total revenue (excluding capital transfers and contributions) amounts to R 143.8million to cover budgeted operating expenditure amounting to R 140.7 million.

Table 2 Operating Transfers and Grants Receipts

KZN285 Mthonjaneni - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		43 957	76 022	78 599	75 637	75 637	75 637	84 288	86 860	91 898
Local Government Equitable Share		38 963	63 837	67 317	70 979	70 979	70 979	79 412	84 010	89 048
Finance Management		1 800	2 738	2 850	2 850	2 850	2 850	2 850	2 850	2 850
Municipal Systems Improvement		930	–	–	–	–	–	–	–	–
EPWP Incentive		2 264	2 161	2 222	1 808	1 808	1 808	2 026	–	–
Library Grant			7 286	6 210	–	–	–	–	–	–
Provincial Government:		723	738	771	1 035	1 035	1 035	1 091	1 150	1 217
Library Grant		723	738	771	1 035	1 035	1 035	1 091	1 150	1 217
District Municipality: <i>[insert description]</i>		–	–	–	–	–	–	–	–	–
Other grant providers: <i>[insert description]</i>		–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	5	44 680	76 760	79 370	76 672	76 672	76 672	85 379	88 010	93 115

The above table shows the operating transfers and grants for Mthonjaneni Local Municipality 2019/20 as published in the Division of Revenue Act and Provincial Gazette of transfers and of funds to municipalities. The municipality has budgeted for only the transfers that are gazetted.

The diagram below shows the revenue by source through pie chart in terms of how much percentages does each revenue source contributes to total operating revenue of Mthonjaneni Local Municipality.

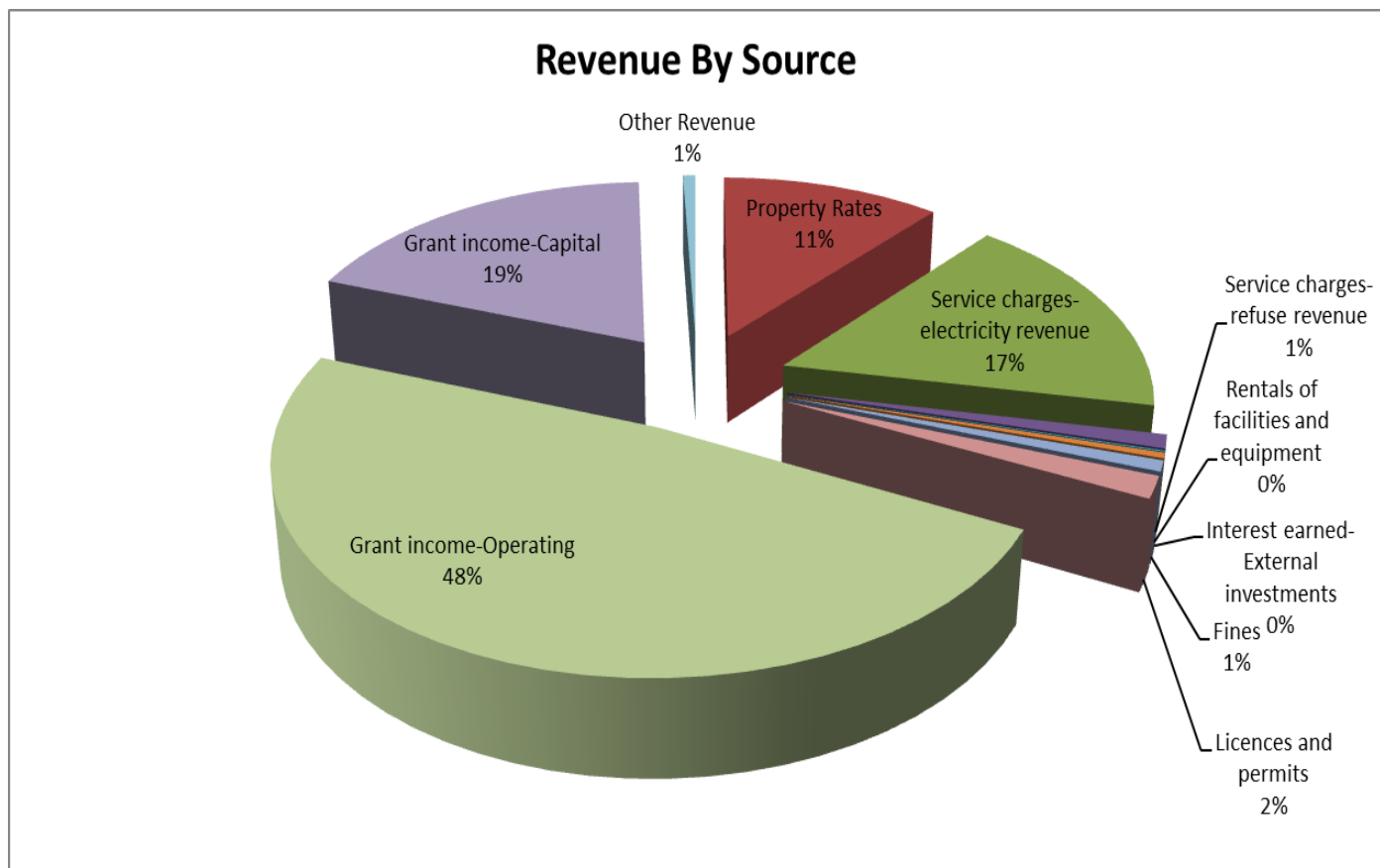


Figure 1 Main operational revenue categories for 2019/20 draft budget.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- Balanced budget constrains (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is high level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure)

Table 3 Summary of operating expenditure by Expenditure by type

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)												
Description		Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Expenditure By Type</u>												
		2	24 982	33 195	42 913	48 580	52 355	52 355	–	54 488	58 575	62 968
			3 168	6 441	7 637	7 886	8 810	8 810	–	9 222	9 914	10 657
		3	–	–	–	2 300	900	900	–	2 400	2 580	2 774
		2	5 809	14 437	15 245	5 252	5 252	5 252	–	5 696	6 123	6 583
			7 776	–	–	–	–	–	–	–	–	–
		2	19 079	20 223	21 541	24 500	24 500	24 500	–	26 705	28 708	30 861
		8	–	–	–	1 252	1 712	1 712	–	2 682	2 883	3 100
			2 159	3 231	5 788	18 094	23 222	23 222	–	18 377	19 755	21 237
			–	–	–	–	–	–	–	–	–	–
		4, 5	44 560	77 404	50 449	16 737	22 662	22 662	–	21 130	22 715	24 418
			–	–	–	–	–	–	–	–	–	–
Total Expenditure			107 533	154 930	143 573	124 600	139 413	139 413	–	140 700	151 253	162 597

The budgeted allocation for employee related costs for 2019/20 financial year totals to R 54.5 million, which equals 39 per cent of the total operating expenditure.

The cost associated with the remuneration of Councillors is determined by the minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the 2019/20 Municipality's budget.

Provision for depreciation has been informed by Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriation in this regard totals to R 5.6 million for 2019/20 financial year of which it translate to 5 per cent of the total operating expenditure.

Other material comprises of amongst others the purchase of fuel and other repairs and maintenance work.

Contracted services has been widened in terms of the MSCOA classification and includes amongst others the costs of, security services, catering services, contracted repairs and maintenance services, leased vehicles, event coordinators . As part of the compilation of the 2019/20 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following table gives a breakdown of the main expenditure categories for the 2019/20 financial year.

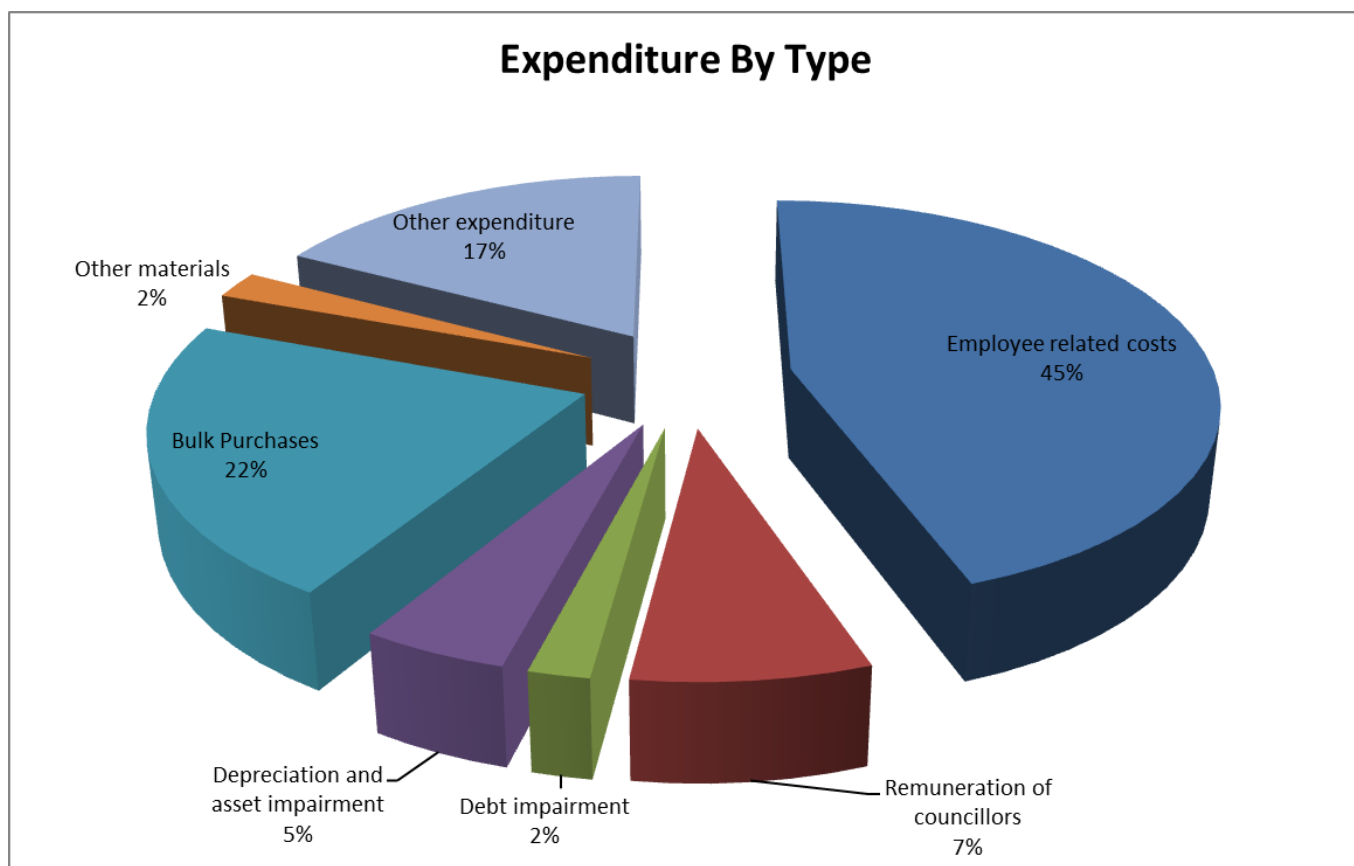


Figure 2 Main operational expenditure categories for the 2019/20 draft budget

Table 4 Operational repairs and maintenance

SA34C

Repairs and Maintenance	8									
Employee related costs										
Other materials										
Contracted Services		3 048	6 822		3 243				3 465	3 725
Other Expenditure										4 004
Total Repairs and Maintenance Expenditure	9	3 048	6 822	–	3 243	–	–	–	3 465	3 725

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered as a direct expenditure driver but an outcome of certain other expenditure, such as remuneration, purchases of materials and contracted services. Mthonjaneni Local Municipality is aware of the Municipal Budget and Reporting Regulations which states that priority must be given to operational repairs and maintenance but because of its capacity and a small number of assets that the municipality owns the budgeted amount is reflected on the table above is small.

1.5.1 Free Basic Services

The free basic service assists households that are poor or face other circumstances that limit their ability to pay for services. To receive this service the households are required to register in terms of the Municipality's Indigent Policy. The qualification criterion in terms of the municipality's Indigent policy is that, the household joint gross income should not exceed two times the government old age pension grant.

1.6 Annual Budget Tables – Parent Municipality

The following pages present the ten main budget tables as required in terms of section 9 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as recommended to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 5 MBRR Table A1 – Budget Summary

KZN285 Mthonjaneni - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	9 817	9 789	11 431	13 850	18 850	18 850	–	19 981	21 179	22 450
Service charges	20 522	20 935	21 985	27 314	29 314	29 314	–	31 898	33 812	35 553
Investment revenue	247	2 176	1 367	1 200	750	750	–	750	795	855
Transfers recognised - operational	44 680	71 384	79 370	76 672	76 672	76 672	–	85 379	88 010	93 115
Other own revenue	31 678	37 751	13 129	9 185	18 450	18 450	–	5 869	6 221	6 688
Total Revenue (excluding capital transfers and contributions)	106 944	142 036	127 282	128 221	144 035	144 035	–	143 877	150 018	158 661
Employee costs	24 982	33 195	42 913	48 580	52 355	52 355	–	54 488	58 575	62 968
Remuneration of councillors	3 168	6 441	7 637	7 886	8 810	8 810	–	9 222	9 914	10 657
Depreciation & asset impairment	5 809	14 437	15 245	5 252	5 252	5 252	–	5 696	6 123	6 583
Finance charges	7 776	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	19 079	20 223	21 541	25 752	26 212	26 212	–	29 387	31 591	33 960
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	46 719	80 635	56 237	37 130	46 784	46 784	–	41 907	45 050	48 429
Total Expenditure	107 533	154 930	143 573	124 600	139 413	139 413	–	140 700	151 253	162 597
Surplus/(Deficit)	(589)	(12 895)	(16 291)	3 620	4 622	4 622	–	3 176	(1 235)	(3 936)
Transfers and subsidies - capital (monetary allocation)	21 022	37 399	32 278	32 749	32 749	32 749	–	33 033	33 820	34 951
Contributions recognised - capital & contributed assets	–	54 721	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	20 433	79 225	15 987	36 369	37 371	37 371	–	36 209	32 585	31 015
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	20 433	79 225	15 987	36 369	37 371	37 371	–	36 209	32 585	31 015
Capital expenditure & funds sources										
Capital expenditure	33 624	34 242	–	36 339	37 565	37 565	–	36 158	32 430	30 971
Transfers recognised - capital	20 904	27 399	–	32 749	32 749	32 749	–	33 033	32 430	30 971
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	12 720	6 843	–	3 590	4 816	4 816	–	3 125	–	–
Total sources of capital funds	33 624	34 242	–	36 339	37 565	37 565	–	36 158	32 430	30 971
Financial position										
Total current assets	67 309	123 032	51 258	57 293	57 293	57 293	–	49 729	51 258	51 258
Total non current assets	192 735	195 458	353 020	286 456	286 456	286 456	–	353 020	353 020	353 020
Total current liabilities	10 203	25 643	17 101	14 553	14 553	14 553	–	17 101	17 101	17 101
Total non current liabilities	4 946	2 746	7 868	7 379	7 379	7 379	–	7 868	7 868	7 868
Community wealth/Equity	242 134	284 867	380 529	324 176	320 484	321 817	–	379 113	377 768	379 310
Cash flows										
Net cash from (used) operating	26 839	27 424	25 133	37 287	19 924	19 924	–	38 311	34 934	40 371
Net cash from (used) investing	(33 628)	(34 242)	(41 735)	(27 839)	(29 065)	(29 065)	–	(36 158)	(32 430)	(30 971)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	42 470	35 652	3 680	2 897	(5 462)	(5 462)	–	2 153	4 657	14 057
Cash backing/surplus reconciliation										
Cash and investments available	42 470	55 500	3 680	25 997	25 997	25 997	–	3 680	3 680	3 680
Application of cash and investments	13 665	(39 110)	(23 502)	(12 211)	(6 074)	(6 074)	–	(29 393)	(29 393)	(34 275)
Balance - surplus (shortfall)	28 805	94 610	27 182	38 209	32 072	32 072	–	33 073	33 073	37 955
Asset management										
Asset register summary (WDV)	192 533	222 292	–	–	–	–	–	36 158	32 430	30 971
Depreciation	5 809	3 700	–	5 252	–	–	–	–	–	–
Renewal and Upgrading of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	3 048	6 822	–	3 243	–	–	–	3 465	3 725	4 004
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sew erage:	–	–	–	–	–	–	–	–	–	–
Energy:	1	1	0	1	1	1	1	1	1	1
Refuse:	26	26	13	26	26	26	26	26	26	26

Explanatory notes to MBRR Table A1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspective (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic services delivery backlogs.

3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. the operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources.

Table 6 MBRR Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN285 Mthonjaneni - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		59 673	140 046	79 475	89 435	98 617	98 617	103 524	109 398	115 809
Executive and council		–	6 315	–	–	–	–	–	–	–
Finance and administration		59 673	133 731	79 475	89 435	98 617	98 617	103 524	109 398	115 809
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		370	3 280	24 902	8 950	13 583	13 583	5 673	6 007	6 438
Community and social services		–	3 280	810	1 069	2 202	2 202	1 119	1 180	1 249
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		370	–	24 093	7 881	11 381	11 381	4 554	4 827	5 189
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		39 283	62 440	23 167	20 268	20 268	20 268	20 813	19 619	20 810
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		39 283	62 440	23 167	20 268	20 268	20 268	20 813	19 619	20 810
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		28 640	28 390	32 015	42 316	44 316	44 316	46 899	48 813	50 555
Energy sources		27 286	26 972	30 851	40 512	42 512	42 512	44 988	46 787	48 376
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		1 354	1 418	1 164	1 804	1 804	1 804	1 912	2 026	2 178
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	127 966	234 155	159 560	160 970	176 784	176 784	176 910	183 838	193 612
Expenditure - Functional										
<i>Governance and administration</i>		44 912	78 783	56 769	53 671	58 858	58 858	59 620	64 092	68 899
Executive and council		10 284	21 051	19 377	17 872	20 333	20 333	19 658	21 132	22 717
Finance and administration		34 629	57 732	36 865	34 208	36 622	36 622	37 788	40 622	43 668
Internal audit		–	–	527	1 590	1 904	1 904	2 175	2 338	2 514
<i>Community and public safety</i>		27 543	37 538	23 307	21 246	25 810	25 810	24 136	25 946	27 892
Community and social services		9 593	34 560	11 938	9 432	12 202	12 202	9 992	10 741	11 547
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		17 951	2 978	11 369	11 815	13 608	13 608	14 144	15 205	16 345
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		10 842	11 945	34 980	20 760	25 737	25 737	25 448	27 356	29 408
Planning and development		–	–	1 231	3 811	4 891	4 891	4 755	5 112	5 496
Road transport		10 842	11 945	33 749	16 950	20 846	20 846	20 692	22 244	23 913
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		24 235	26 664	28 517	28 923	29 008	29 008	31 680	34 056	36 610
Energy sources		22 394	24 907	26 691	26 881	26 764	26 764	29 046	31 224	33 566
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		1 842	1 757	1 826	2 042	2 244	2 244	2 634	2 832	3 044
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	107 533	154 930	143 573	124 600	139 413	139 413	140 884	151 450	162 809
Surplus/(Deficit) for the year		20 433	79 225	15 987	36 369	37 371	37 371	36 026	32 388	30 803

Explanatory notes to Table A2 – Budget 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 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms 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 recognized – capital) and so does not balance to the operating revenue shown on Table A4.

Table 7: MBRR Table A3 – Budgeted Financial performance (revenue and expenditure by municipal vote)

KZN285 Mthonjaneni - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Revenue by Vote	1									
Vote 1 - Executive and Council		–	–	–	–	–	–	–	–	–
Vote 2 - Municipal Manager		–	6 315	–	–	–	–	–	–	–
Vote 3 - Finance and administration		86 958	133 731	79 475	89 435	98 617	98 617	103 524	109 398	115 809
Vote 4 - Community and social services		–	3 280	810	1 069	2 202	2 202	1 119	1 180	1 249
Vote 5 - Public safety		–	–	24 093	7 881	11 381	11 381	4 554	4 827	5 189
Vote 6 - Planning and development		–	–	–	–	–	–	–	–	–
Vote 7 - Road transport		370	62 440	23 167	20 268	20 268	20 268	20 813	19 619	20 810
Vote 8 - Energy sources		39 283	26 972	30 851	40 512	42 512	42 512	44 988	46 787	48 376
Vote 9 - Waste management		1 354	1 418	1 164	1 804	1 804	1 804	1 912	2 026	2 178
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	127 966	234 155	159 560	160 970	176 784	176 784	176 910	183 838	193 612
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		10 284	21 051	12 770	12 546	12 678	12 678	12 458	13 392	14 396
Vote 2 - Municipal Manager		–	–	7 134	6 917	9 559	9 559	9 375	10 078	10 834
Vote 3 - Finance and administration		34 629	57 732	36 865	34 208	36 622	36 622	37 788	40 622	43 668
Vote 4 - Community and social services		9 593	34 560	11 938	9 421	12 202	12 202	9 992	10 741	11 547
Vote 5 - Public safety		–	2 978	11 369	11 815	13 608	13 608	14 144	15 205	16 345
Vote 6 - Planning and development		–	–	1 231	3 811	4 891	4 891	4 755	5 112	5 496
Vote 7 - Road transport		17 951	11 945	33 749	16 961	20 846	20 846	20 692	22 244	23 913
Vote 8 - Energy sources		10 842	24 907	26 691	26 881	26 764	26 764	29 046	31 224	33 566
Vote 9 - Waste management		1 842	1 757	1 826	2 042	2 244	2 244	2 634	2 832	3 044
Vote 10 - [NAME OF VOTE 10]		22 394	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	107 533	154 930	143 573	124 600	139 413	139 413	140 884	151 450	162 809
Surplus/(Deficit) for the year	2	20 433	79 225	15 987	36 369	37 371	37 371	36 026	32 388	30 803

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

1. 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.

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

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source												
Property rates	2		9 817	9 789	11 431	13 850	18 850	18 850	–	19 981	21 179	22 450
Service charges - electricity revenue	2		19 167	19 890	19 976	25 512	27 512	27 512	–	29 988	31 787	33 376
Service charges - water revenue	2		–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2		–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2		1 354	1 046	2 008	1 803	1 803	1 803	–	1 910	2 025	2 177
Rental of facilities and equipment			–	229	227	171	171	171	–	181	192	206
Interest earned - external investments			247	2 176	1 367	1 200	750	750	–	750	795	855
Interest earned - outstanding debtors			3 284	–	–	–	–	–	–	–	–	–
Dividends received			–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits			24 309	31 618	10 165	5 000	8 500	8 500	–	1 500	1 590	1 709
Licences and permits			2 070	1 923	1 672	2 881	2 881	2 881	–	3 054	3 237	3 480
Agency services			–	–	–	–	–	–	–	–	–	–
Transfers and subsidies			44 680	71 384	79 370	76 672	76 672	76 672	–	85 379	88 010	93 115
Other revenue	2		1 599	3 374	1 066	1 133	6 898	6 898	–	1 134	1 202	1 292
Gains on disposal of PPE			416	608	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)			106 944	142 036	127 282	128 221	144 035	144 035	–	143 877	150 018	158 661
Expenditure By Type												
Employee related costs	2		24 982	33 195	42 913	48 580	52 355	52 355	–	54 488	58 575	62 968
Remuneration of councillors			3 168	6 441	7 637	7 886	8 810	8 810	–	9 222	9 914	10 657
Debt impairment	3		–	–	–	2 300	900	900	–	2 400	2 580	2 774
Depreciation & asset impairment	2		5 809	14 437	15 245	5 252	5 252	5 252	–	5 696	6 123	6 583
Finance charges			7 776	–	–	–	–	–	–	–	–	–
Bulk purchases	2		19 079	20 223	21 541	24 500	24 500	24 500	–	26 705	28 708	30 861
Other materials	8		–	–	–	1 252	1 712	1 712	–	2 682	2 883	3 100
Contracted services			2 159	3 231	5 788	18 094	23 222	23 222	–	18 377	19 755	21 237
Transfers and subsidies			–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5		44 560	77 404	50 449	16 737	22 662	22 662	–	21 130	22 715	24 418
Loss on disposal of PPE			–	–	–	–	–	–	–	–	–	–
Total Expenditure			107 533	154 930	143 573	124 600	139 413	139 413	–	140 700	151 253	162 597
Surplus/(Deficit)			(589)	(12 895)	(16 291)	3 620	4 622	4 622	–	3 176	(1 235)	(3 936)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			21 022	37 399	32 278	32 749	32 749	32 749	–	33 033	33 820	34 951
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)			–	54 721	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions			20 433	79 225	15 987	36 369	37 371	37 371	–	36 209	32 585	31 015
Taxation			–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation			20 433	79 225	15 987	36 369	37 371	37 371	–	36 209	32 585	31 015
Attributable to minorities			–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality			20 433	79 225	15 987	36 369	37 371	37 371	–	36 209	32 585	31 015
Share of surplus/ (deficit) of associate	7		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year			20 433	79 225	15 987	36 369	37 371	37 371	–	36 209	32 585	31 015

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

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

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. Interest comprises of; interest on primary bank account as well as interest earned from call investment accounts.

Table 9: MBRR Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding sources

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3 - Finance and administration		-	-	-	-	-	-	-	-	-	-
Vote 4 - Vote 4 - Community and social services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5 - Public safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6 - Planning and development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7 - Road transport		-	-	-	-	-	-	-	-	-	-
Vote 8 - Vote 8 - Energy sources		-	-	-	-	-	-	-	-	-	-
Vote 9 - Vote 9 - Waste management		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Vote 1 - Executive and Council		1 689	960	-	40	-	-	-	30	-	-
Vote 2 - Vote 2 - Municipal Manager		-	22	-	40	-	-	-	30	-	-
Vote 3 - Vote 3 - Finance and administration		596	61	-	235	-	-	-	45	-	-
Vote 4 - Vote 4 - Community and social services		8 483	163	-	100	-	-	-	60	-	-
Vote 5 - Vote 5 - Public safety		-	-	-	1 175	-	-	-	65	1 350	1 200
Vote 6 - Vote 6 - Planning and development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7 - Road transport		-	197	-	18 409	-	-	-	20 268	18 930	20 071
Vote 8 - Vote 8 - Energy sources		7 716	22 339	-	15 840	-	-	-	15 410	12 000	9 500
Vote 9 - Vote 9 - Waste management		-	1 700	-	500	-	-	-	250	150	200
Vote 10 - [NAME OF VOTE 10]		14 383	1 700	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		32 868	27 142	-	36 339	-	-	-	36 158	32 430	30 971
Total Capital Expenditure - Vote		32 868	27 142	-	36 339	-	-	-	36 158	32 430	30 971
Capital Expenditure - Functional											
Governance and administration		2 286	1 206	-	315	326	326	-	135	-	-
Executive and council		1 689	982	-	80	80	80	-	60	-	-
Finance and administration		596	224	-	235	246	246	-	75	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		9 239	3 220	-	1 275	6 825	6 825	-	125	1 350	1 200
Community and social services		8 483	3 220	-	100	5 370	5 370	-	60	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		756	-	-	1 175	1 455	1 455	-	65	1 350	1 200
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		7 716	19 316	-	18 409	14 319	14 319	-	20 268	18 930	20 071
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		7 716	19 316	-	18 409	14 319	14 319	-	20 268	18 930	20 071
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		14 383	10 500	-	16 340	16 095	16 095	-	15 630	12 150	9 700
Energy sources		14 383	8 800	-	15 840	15 875	15 875	-	15 380	12 000	9 500
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	1 700	-	500	220	220	-	250	150	200
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	33 624	34 242	-	36 339	37 565	37 565	-	36 158	32 430	30 971
Funded by:											
National Government		20 904	27 399	-	32 749	32 749	32 749	-	33 033	32 430	30 971
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	20 904	27 399	-	32 749	32 749	32 749	-	33 033	32 430	30 971
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		12 720	6 843	-	3 590	4 816	4 816	-	3 125	-	-
Total Capital Funding	7	33 624	34 242	-	36 339	37 565	37 565	-	36 158	32 430	30 971

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

1. Table A5 is a breakdown of the capital programs in relation to capital expenditure by municipal vote (multi – year and single – year appropriations); capital expenditure by standard classification; and funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Mthonjaneni Municipality capital budget is set at R 36.1 million in order to address backlogs of electricity in some other wards that are within the jurisdiction of Mthonjaneni Local Municipality and also to address the infrastructure backlogs.
3. The capital programs of Mthonjaneni Municipality is funded mainly from national & provincial grants and subsidies and a small portion from internally generated funds.

Table 10: MBRR Table A6 – Budgeted Financial Position

KZN285 Mthonjaneni - Table A6 Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		1 827	30 000	1 529	9 473	9 473	9 473		1 529	1 529	1 529
Call investment deposits	1	40 644	25 500	2 151	16 524	16 524	16 524	–	2 151	2 151	2 151
Consumer debtors	1	4 435	46 128	5 573	4 283	4 283	4 283	–	5 573	5 573	5 573
Other debtors		19 944	21 068	41 461	26 594	26 594	26 594		41 461	41 461	41 461
Current portion of long-term receivables		–	–	–	–	–	–		–	–	–
Inventory	2	460	336	544	419	419	419		544	544	544
Total current assets		67 309	123 032	51 258	57 293	57 293	57 293	–	49 729	51 258	51 258
Non current assets											
Long-term receivables		–	–	–	–	–	–		–	–	–
Investments		–	–	–	–	–	–		–	–	–
Investment property		2 368	2 510	112	2 327	2 327	2 327		112	112	112
Investment in Associate		–	–	–	–	–	–		–	–	–
Property, plant and equipment	3	187 606	187 715	351 367	281 254	281 254	281 254	–	351 367	351 367	351 367
Biological		2 662	5 136	1 506	2 793	2 793	2 793		1 506	1 506	1 506
Intangible		99	98	35	81	81	81		35	35	35
Other non-current assets		1	–	1	1	1	1		1	1	1
Total non current assets		189 974	190 225	354 240	288 815	285 123	286 456	2 874	354 353	351 479	353 020
TOTAL ASSETS		257 282	313 257	405 498	346 108	342 416	343 749	2 874	404 082	402 737	404 278
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–		–	–	–
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		1 026	1 216	1 081	1 052	1 052	1 052		1 081	1 081	1 081
Trade and other payables	4	8 768	2 804	12 759	12 922	12 922	12 922	–	12 759	12 759	12 759
Provisions		409	21 624	3 261	579	579	579		3 261	3 261	3 261
Total current liabilities		10 203	25 643	17 101	14 553	14 553	14 553	–	17 101	17 101	17 101
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		4 946	2 746	7 868	7 379	7 379	7 379	–	7 868	7 868	7 868
Total non current liabilities		4 946	2 746	7 868	7 379	7 379	7 379	–	7 868	7 868	7 868
TOTAL LIABILITIES		15 149	28 390	24 969	21 932	21 932	21 932	–	24 969	24 969	24 969
NET ASSETS	5	242 134	284 867	380 529	324 176	320 484	321 817	2 874	379 113	377 768	379 310
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		242 134	284 867	380 529	324 176	320 484	321 817		379 113	377 768	379 310
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	242 134	284 867	380 529	324 176	320 484	321 817	–	379 113	377 768	379 310

Explanatory notes to Table A6 – Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet)
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets ready converted to cash, or liabilities immediately required to be met from cash, appear first.

3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budget Financial Position.

Table 11: MBRR Table A7 – Budgeted Cash Flow Statement

KZN285 Mthonjaneni - Table A7 Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		6 331	9 901	12 590	8 310	8 310	8 310	–	13 986	14 826	22 450
Service charges		22 331	23 788	23 294	23 487	23 487	23 487	–	31 898	33 812	35 553
Other revenue			24 918	–	9 185	9 185	9 185	–	5 869	6 221	6 688
Government - operating	1	44 680	77 172	79 370	79 371	79 371	79 371	–	85 379	88 010	93 115
Government - capital	1	45 867	27 399	32 278	32 749	32 749	32 749	–	33 033	33 820	34 951
Interest		3 284	3 146	1 367	1 200	750	750	–	750	795	855
Dividends				–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(95 654)	(126 581)	(123 766)	(117 015)	(133 928)	(133 928)	–	(132 604)	(142 550)	(153 241)
Finance charges		–	(11 130)	–	–	–	–	–	–	–	–
Transfers and Grants	1	–	(1 189)	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		26 839	27 424	25 133	37 287	19 924	19 924	–	38 311	34 934	40 371
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									–	–	–
Decrease (Increase) in non-current debtors					8 500	8 500	8 500	–	–	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(33 628)	(34 242)	(41 735)	(36 339)	(37 565)	(37 565)	–	(36 158)	(32 430)	(30 971)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(33 628)	(34 242)	(41 735)	(27 839)	(29 065)	(29 065)	–	(36 158)	(32 430)	(30 971)
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		(6 789)	(6 818)	(16 602)	9 448	(9 142)	(9 142)	–	2 153	2 504	9 400
Cash/cash equivalents at the year begin:	2	49 259	42 470	20 282	(6 551)	3 680	3 680	–	–	2 153	4 657
Cash/cash equivalents at the year end:	2	42 470	35 652	3 680	2 897	(5 462)	(5 462)	–	2 153	4 657	14 057

Table 12: MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN285 Mthonjaneni - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	42 470	35 652	3 680	2 897	(5 462)	(5 462)	–	2 153	4 657	14 057
Other current investments > 90 days		0	19 848	–	23 101	31 459	31 459	–	1 527	(977)	(10 377)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		42 470	55 500	3 680	25 997	25 997	25 997	–	3 680	3 680	3 680
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	(2 575)	(55 223)	(23 502)	(12 211)	(6 074)	(6 074)	–	(29 393)	(29 393)	(34 275)
Other provisions		16 240	16 113								
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		13 665	(39 110)	(23 502)	(12 211)	(6 074)	(6 074)	–	(29 393)	(29 393)	(34 275)
Surplus(shortfall)		28 805	94 610	27 182	38 209	32 072	32 072	–	33 073	33 073	37 955

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 that is likely to result from the implementation of the budget.

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.

Table 13: MBRR Table A9 – Asset Management

ASSET REGISTER SUMMARY - PPE (WDV)		5	192 533	222 292	–	–	–	–	36 158	32 430	30 971
Roads Infrastructure			51 623	55 527					18 283	18 820	19 951
Storm water Infrastructure			44 841	59 082							
Electrical Infrastructure								15 230	12 000	9 500	
Water Supply Infrastructure											
Sanitation Infrastructure											
Solid Waste Infrastructure								250	150	200	
Rail Infrastructure											
Coastal Infrastructure											
Information and Communication Infrastructure			90 940	99 940							
Infrastructure			187 403	214 549	–	–	–	–	33 763	30 970	29 651
Community Assets											
Heritage Assets											
Investment properties			2 368	2 510							
Other Assets								100			
Biological or Cultivated Assets			2 762	5 234							
Intangible Assets											
Computer Equipment								120	80	100	
Furniture and Office Equipment								145	100	120	
Machinery and Equipment								230	80	100	
Transport Assets								1 800	1 200	1 000	
Land											
Zoo's, Marine and Non-biological Animals											
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		5	192 533	222 292	–	–	–	–	36 158	32 430	30 971
EXPENDITURE OTHER ITEMS			8 857	10 522	–	8 495	–	–	3 465	3 725	4 004
Depreciation		7	5 809	3 700	–	5 252	–	–	–	–	–
Repairs and Maintenance by Asset Class		3	3 048	6 822	–	3 243	–	–	3 465	3 725	4 004
Roads Infrastructure			465	3 655	–	800	–	–	1 000	1 075	1 156
Storm water Infrastructure			–	–	–	–	–	–	–	–	–
Electrical Infrastructure			–	–	–	–	–	–	100	108	116
Water Supply Infrastructure			–	–	–	–	–	–	–	–	–
Sanitation Infrastructure			–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure			400	400	–	–	–	–	–	–	–
Rail Infrastructure			–	–	–	–	–	–	–	–	–
Coastal Infrastructure			–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure			–	–	–	–	–	–	–	–	–
Infrastructure			865	4 055	–	800	–	–	1 100	1 183	1 271
Community Facilities			48	90	–	–	–	–	–	–	–
Sport and Recreation Facilities			50	–	–	–	–	–	–	–	–
Community Assets			98	90	–	–	–	–	–	–	–
Heritage Assets			–	–	–	–	–	–	–	–	–
Revenue Generating			–	–	–	–	–	–	–	–	–
Non-revenue Generating			–	–	–	–	–	–	–	–	–
Investment properties			–	–	–	–	–	–	–	–	–
Operational Buildings			751	1 293	–	1 165	–	–	1 015	1 091	1 173
Housing			–	–	–	–	–	–	–	–	–
Other Assets			751	1 293	–	1 165	–	–	1 015	1 091	1 173
Biological or Cultivated Assets			–	–	–	–	–	–	–	–	–
Servitudes			–	–	–	–	–	–	–	–	–
Licences and Rights			–	–	–	–	–	–	–	–	–
Intangible Assets			–	–	–	–	–	–	–	–	–
Computer Equipment			–	–	–	53	–	–	20	22	23
Furniture and Office Equipment			45	10	–	140	–	–	–	–	–
Machinery and Equipment			504	531	–	210	–	–	365	392	422
Transport Assets			785	843	–	875	–	–	965	1 037	1 115
Land			–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals			–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS			8 857	10 522	–	8 495	–	–	3 465	3 725	4 004

Table 14: MBRR Table A10 – Basic service delivery measurement

KZN285 Mthonjaneni - Table A10 Basic service delivery measurement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total number of households	5	–	–	–	–	–	–	–	–	–
Energy:										
Electricity (at least min.service level)		772	772	386	772	772	772	772	772	772
Electricity - prepaid (min.service level)		26 824	26 824	13 412	26 824	26 824	26 824	26 824	26 824	26 824
<i>Minimum Service Level and Above sub-total</i>		27 596	27 596	13 798	27 596	27 596	27 596	27 596	27 596	27 596
Electricity (< min.service level)		630	630	315	630	630	630	630	630	630
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		156	156	78	156	156	156	156	156	156
<i>Below Minimum Service Level sub-total</i>		786	786	393	786	786	786	786	786	786
Total number of households	5	28 382	28 382	14 191	28 382	28 382	28 382	28 382	28 382	28 382
Refuse:										
Removed at least once a week		6 546	6 546	3 273	6 546	6 546	6 546	6 546	6 546	6 546
<i>Minimum Service Level and Above sub-total</i>		6 546	6 546	3 273	6 546	6 546	6 546	6 546	6 546	6 546
Removed less frequently than once a week		116	116	58	116	116	116	116	116	116
Using communal refuse dump		2 834	2 834	1 417	2 834	2 834	2 834	2 834	2 834	2 834
Using own refuse dump		22 294	22 294	11 147	22 294	22 294	22 294	22 294	22 294	22 294
Other rubbish disposal		290	290	145	290	290	290	290	290	290
No rubbish disposal		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		25 534	25 534	12 767	25 534	25 534	25 534	25 534	25 534	25 534
Total number of households	5	32 080	32 080	16 040	32 080	32 080	32 080	32 080	32 080	32 080

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 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 Mayoral Committee for Finance.

The primary aims of the Budget Steering Committees 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 various spending priorities of the different municipal departments are properly evaluated and prioritized 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. end of August) a time schedule that sets out the process to revise the IDP and the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2018. Key dates applicable to the process were:

- August 2018 – 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 2019/20 MTREF;
- November 2018 – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- January 2019 – 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 2019 – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- 25 January 2019 – Council consider the 2018/19 Mid-year Review and Adjustments Budget;
- February 2019 – Recommendations of the Mayoral Committee are communicated to the Budget steering Committee, and on the respective departments.
- March 2019 – Tabling in Council of the Draft 2019/20 IDP and 2019/20 MTREF for public consultation;
- April 2019 – Public consultation;
- May 2019 – closing date for written comments;

- May 2019 – finalization of the IDP and MTREF, taking into consideration comments received from the public, comments from Provincial Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- May 2019 – tabling of the 2019/20 MTREF before Council for consideration and approval.

2.1.2 Community Consultation

The draft budget 2019/20 MTREF as tabled before Council in March 2019 for community consultation will be published on the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and the municipal library.

All documents in the appropriate format (electronic and printed) were provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide opportunity for them to make inputs.

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 IDP process.

Municipalities in South Africa need to utilize integrated development planning as a method to plan future developments in their areas and so find the best solutions to achieve sound long-term developments 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 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 development 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.

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.

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
- National and Provincial spatial development perspectives;

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, assess and reviews organizational performance which in turn is directly linked to individual employee's performance.

2.4 Overview of budget related-policies

Banking and Investment Policy

The policy is aimed at gaining the highest possible return on investment, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

Rates Policy

The purpose of this policy is to:

- Comply with the provisions of section 3 of the Municipal Property Rates Act, (Act No. 6 of 2004)
- Give effect to the principles outlined above;
- Determine the methodology and to prescribe procedures for the implementation of the Act;
- Determine criteria to be applied for the levying of differential rates for different categories of properties

Supply Chain Management Policy

Mthonjaneni Local Municipality may not act otherwise than in accordance with this supply chain management policy when –

- a) procuring goods or services;
- b) disposing of goods no longer needed;
- c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
- d) selecting external mechanism referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.5 Overview of budget funding

Mthonjaneni Local Municipality's budget is funded in accordance with section 18 of the Municipal Finance Management Act, (Act No. 56 of 2003) which states that:

- (1) An annual budget may only be funded from –
 - a) realistically anticipated revenues to be collected;
 - b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) borrowed funds, but only for the capital budget referred to in section 17 (2)
- (2) Revenue projections in the budget must be realistic, taking into account –
 - a) Projected revenue for the current year based on collection levels to date; and
 - b) Actual revenue collected in previous financial years.

Table 15: Draft Expenditure on allocations and grant programmes

KZN285 Mthonjaneni - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		36 783	45 814	78 599	75 637	75 637	75 637	85 379	88 010	93 115
Local Government Equitable Share		31 674	38 963	67 317	70 979	70 979	70 979	79 412	84 010	89 048
Finance Management		1 800	1 800	2 850	2 850	2 850	2 850	2 850	2 850	2 850
Municipal Systems Improvement		934	930	–	–	–	–	–	–	–
EPWP Incentive		2 375	2 264	2 222	1 808	1 808	1 808	2 026	–	–
Library Grant			1 857	6 210	–	–	–	1 091	1 150	1 217
Provincial Government:		661	723	771	1 035	1 035	1 035	1 091	1 150	1 217
Library Grant		661	723	771	1 035	1 035	1 035	1 091	1 150	1 217
District Municipality: [insert description]		–	–	–	–	–	–	–	–	–
Other grant providers: [insert description]		500	–	–	–	–	–	–	–	–
		500								
Total operating expenditure of Transfers and Grants		37 944	46 537	79 370	76 672	76 672	76 672	86 470	89 160	94 332
Capital expenditure of Transfers and Grants										
National Government:		15 610	20 904	32 278	32 749	32 749	32 749	32 749	32 749	32 749
Municipal Infrastructure Grant (MIG)		12 610	12 904	24 278	17 749	17 749	17 749	17 749	17 749	17 749
integrated national electrification grant (INEG)		3 000	8 000	8 000	15 000	15 000	15 000	15 000	15 000	15 000
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality: [insert description]		–	–	–	–	–	–	–	–	–
Other grant providers: [insert description]		–	–	–	–	–	–	–	–	–
Total capital expenditure of Transfers and Grants		15 610	20 904	32 278	32 749	32 749	32 749	32 749	32 749	32 749
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		53 554	67 441	111 648	109 421	109 421	109 421	119 219	121 909	127 081

Table 16: Draft budget to councilor allowances and employee benefits

KZN285 Mthonjaneni - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		2 085	1 898		4 436	4 953	4 953	5 365	5 768	6 200
Pension and UIF Contributions		314	333		634	766	766	766	824	886
Medical Aid Contributions		43	44		65	86	86	86	92	99
Motor Vehicle Allowance		403	734		1 641	1 894	1 894	1 894	2 036	2 189
Cellphone Allowance		259	316		1 020	1 020	1 020	1 020	1 097	1 179
Housing Allowances					–	–	–	–	–	–
Other benefits and allowances		40	42		90	90	90	90	97	104
Sub Total - Councillors		3 143	3 366	–	7 886	8 810	8 810	9 222	9 914	10 657
% increase	4		7.1%	(100.0%)	–	11.7%	–	4.7%	7.5%	7.5%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2 875	2 721		3 456	2 361	2 361	2 505	2 693	2 895
Pension and UIF Contributions		43			9	7	7	8	9	9
Medical Aid Contributions					–	–	–	–	–	–
Overtime					–	–	–	–	–	–
Performance Bonus		252	525		482	367	367	379	408	438
Motor Vehicle Allowance	3		686		902	515	515	480	516	555
Cellphone Allowance	3		24		18	18	18	18	19	21
Housing Allowances	3				72	72	72	72	77	83
Other benefits and allowances	3	591	4		173	113	113	118	127	137
Payments in lieu of leave					–	–	–	–	–	–
Long service awards					–	–	–	–	–	–
Post-retirement benefit obligations	6				–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		3 761	3 959	–	5 113	3 453	3 453	3 581	3 850	4 139
% increase	4		5.3%	(100.0%)	–	(32.5%)	–	3.7%	7.5%	7.5%
Other Municipal Staff										
Basic Salaries and Wages		14 443	17 098		27 363	32 163	32 163	33 962	36 509	39 248
Pension and UIF Contributions		1 945	2 279		3 844	4 017	4 017	4 003	4 303	4 626
Medical Aid Contributions		980	1 231		2 179	2 128	2 128	2 129	2 288	2 460
Overtime		1 017	1 157		1 273	1 469	1 469	1 539	1 655	1 779
Performance Bonus		140			2 253	2 197	2 197	2 336	2 511	2 699
Motor Vehicle Allowance	3	629	660		3 337	3 315	3 315	3 427	3 684	3 960
Cellphone Allowance	3				167	203	203	213	229	246
Housing Allowances	3	47			31	31	31	31	33	35
Other benefits and allowances	3	724	931		3 020	3 380	3 380	3 450	3 709	3 987
Payments in lieu of leave					–	–	–	–	–	–
Long service awards		37	250		–	–	–	–	–	–
Post-retirement benefit obligations	6		100		–	–	–	–	–	–
Sub Total - Other Municipal Staff		19 961	23 706	–	43 467	48 903	48 903	51 090	54 922	59 041
% increase	4		18.8%	(100.0%)	–	12.5%	–	4.5%	7.5%	7.5%
Total Parent Municipality		26 865	31 031	–	56 466	61 165	61 165	63 894	68 686	73 837

	SUMMARY	<u>Budget year</u> <u>2019/20</u>	<u>Budget year</u> <u>2020/21</u>	<u>Budget year</u> <u>2021/22</u>	% Perce ntage
Revenue by Source					
Property Rates		(19 980 632.86)	(21 179 470.83)	(22 450 239.08)	11%
Service charges-electricity revenue		(29 987 628.33)	(31 786 886.03)	(33 376 230.34)	17%
Service charges-refuse revenue		(1 910 278.81)	(2 024 895.54)	(2 176 762.70)	1%
Rentals of facilities and equipment		(181 086.30)	(191 951.48)	(206 347.84)	0%
Interest earned-External investments		(750 000.00)	(795 000.00)	(854 625.00)	0%
Fines		(1 500 000.00)	(1 590 000.00)	(1 709 250.00)	1%
Licences and permits		(3 053 933.31)	(3 237 169.31)	(3 479 957.01)	2%
Grant income-Operating		(85 379 000.00)	(88 010 000.00)	(93 063 000.00)	48%
Grant income-Capital		(33 033 000.00)	(33 820 000.00)	(34 951 000.00)	19%
Other Revenue		(1 134 265.64)	(1 202 321.57)	(1 292 495.69)	1%
		(176 909 825.24)	(183 837 694.76)	(193 559 907.65)	100%
Expenditure by Type					
Employee related costs		54 488 311.73	58 574 935.11	62 968 055.24	39%
Remuneration of councillors		9 222 061.31	9 913 715.90	10 657 244.60	7%
Debt impairment		2 400 000.00	2 580 000.00	2 773 500.00	2%
Depreciation and asset impairment		5 696 121.45	6 123 330.56	6 582 580.35	4%
Bulk Purchases		26 705 000.00	28 707 875.00	30 860 965.63	19%
Other materials		2 682 100.00	2 883 257.50	3 099 501.81	2%
Other expenditure		21 129 875.87	22 714 616.56	24 418 212.80	15%
Contracted Services		18 377 000.00	19 755 275.00	21 236 920.63	13%
		140 700 470.36	151 253 005.64	162 596 981.06	100%
(Surplus)/ Deficit		(36 209 354.88)	(32 584 689.12)	(30 962 926.59)	
Capital Expenditure		36 158 000.00	32 430 000.00	30 971 000.00	
Net (Surplus)/ Deficit		(51 354.88)	(154 689.12)	8 073.41	

CAPITAL EXPENDITURE					
VOTE DESCRIPTION	FUNDING SOURCE	BUDGET 2019-20	BUDGET 2020-21	BUDGET 2021-22	Asset Class
Municipal Manager					
Intangible Assets	INTERNAL FUNDS				
Computer Equipment	INTERNAL FUNDS	15 000.00			Computer Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00			Furniture and Office Equipment
Machinery and Equipment	INTERNAL FUNDS				
Transport Assets	INTERNAL FUNDS				
		30 000.00	-	-	
Mayoral and Council					
Computer Equipment	INTERNAL FUNDS	15 000.00			Computer Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00			Furniture and Office Equipment
Machinery and Equipment	INTERNAL FUNDS				
Transport Assets	INTERNAL FUNDS				
		30 000.00	-	-	
Executive and council		60 000.00	-	-	
Administrative and Corporate Support					
Intangible Assets	INTERNAL FUNDS				
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00			Computer Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	-			Computer Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00			Furniture and Office Equipment
Transport Assets	INTERNAL FUNDS				
		30 000.00	-	-	
Budget and Treasury Office					
Intangible Assets	INTERNAL FUNDS	-			Intangible Assets
Expenditure:Operational Cost:Assets less than the Capitalisation T	INTERNAL FUNDS	15 000.00			Machinery and Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00			Computer Equipment
Furniture and Office Equipment	INTERNAL FUNDS	15 000.00			Furniture and Office Equipment
Transport Assets	INTERNAL FUNDS				
		45 000.00	-	-	
Finance and administration		75 000.00	-	-	
Community Services					
Infrastructure Assets	INTERNAL FUNDS				
Community Assets	INTERNAL FUNDS				Community Asset
Computer Equipment	INTERNAL FUNDS	15 000.00			Computer Equipment
Furniture and Office Equipment (Studio)	INTERNAL FUNDS	15 000.00			Furniture and Office Equipment
Machinery and Equipment	INTERNAL FUNDS				
Transport Assets	INTERNAL FUNDS				
		30 000.00	-	-	
Libraries					
Furniture and Office Equipment	INTERNAL FUNDS	15 000.00			Furniture and Office Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00			Computer Equipemnt
Machinery and Equipment	INTERNAL FUNDS				
Transport Assets	INTERNAL FUNDS				
		30 000.00	-	-	
Community and social services		60 000.00	-	-	
Electricity Services					
Infrastructure Assets					
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	50 000.00			LV Networks
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	70 000.00			Capital Spares
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	60 000.00			LV Networks
Other Assets	NATIONAL GOVERNMENT				
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	NATIONAL GOVERNMENT	12 000 000.00	10 000 000.00	8 000 000.00	Infrastructure/Power Plants
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	NATIONAL GOVERNMENT	3 000 000.00	2 000 000.00	1 500 000.00	Infrastructure/Power Plants
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	-			
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	50 000.00			LV Networks
Biological or Cultivated Assets	INTERNAL FUNDS	-			
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	100 000.00			Machinery and Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	50 000.00			Machinery and Equipment
Transport Assets	INTERNAL FUNDS	-			
		15 380 000.00	12 000 000.00	9 500 000.00	

Roads					
Infrastructure Assets	NATIONAL GOVERNMENT				
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	NATIONAL GOVERNMENT	18 033 000.00	18 820 000.00	19 951 000.00	Infrastructure/Roads
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	NATIONAL GOVERNMENT		-	-	
Community Assets	INTERNAL FUNDS		-	-	
Other Assets (Guard House)	INTERNAL FUNDS		-	-	
Biological or Cultivated Assets	INTERNAL FUNDS		-	-	
Intangible Assets	INTERNAL FUNDS		-	-	
Computer Equipment	INTERNAL FUNDS	15 000.00	60 000.00	70 000.00	Computer Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	20 000.00	50 000.00	50 000.00	Furniture and Office Equipment
Machinery and Equipment	INTERNAL FUNDS	50 000.00	-	-	Machinery and Equipment
Transport Assets	INTERNAL FUNDS	1 800 000.00	-	-	Transport Asset
Upgrading of Landfill Site Access Road	INTERNAL FUNDS	100 000.00	-	-	Infrastructure/Roads
Upgrading of Technical Admin block and parkings		100 000.00	-	-	
Drains mainhole concrete covers		150 000.00	-	-	Infrastructure/Roads
		20 268 000.00	18 930 000.00	20 071 000.00	
Fire Fighting					
Furniture and Office Equipment	INTERNAL FUNDS	20 000.00	20 000.00	30 000.00	Furniture and Office Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00	80 000.00	100 000.00	Machinery and Equipment
Transport Assets - Engine Truck	INTERNAL FUNDS	-	1 200 000.00	1 000 000.00	Transport Asset
		35 000.00	1 300 000.00	1 130 000.00	
Licensing and Protection Services					
Computer Equipment	INTERNAL FUNDS	15 000.00	20 000.00	30 000.00	Computer Equipment
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	15 000.00	30 000.00	40 000.00	Furniture and Equipment
Machinery and Equipment - Guns	INTERNAL FUNDS		-	-	Furniture and Equipment
Transport Assets	INTERNAL FUNDS		-	-	
		30 000.00	50 000.00	70 000.00	
Public safety		65 000.00	1 350 000.00	1 200 000.00	
Solid Waste Removal					
Assets:Non-current Assets:Property, Plant and Equipment:Cost Mo	INTERNAL FUNDS	250 000.00	150 000.00	200 000.00	Waste drop - off points
Transport Assets (2x Ride on Mowers and 1x Slasher)	INTERNAL FUNDS		-	-	
		250 000.00	150 000.00	200 000.00	
		36 158 000.00	32 430 000.00	30 971 000.00	