

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

PRESENTS

**2020/2021 TO 2022/23**

**FINAL MEDIUM-TERM REVENUE AND EXPENDITURE FORECASTS**

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1. **PART ONE – ANNUAL BUDGET**
	1. **MAYORS REPORT**

**Introduction**

Speaker, Deputy Mayor, Members of Executive, Chief Whip, Honourable Councillors ONdabezitha, Municipal Management and municipal officials, Greetings.

It is a pleasure, in my capacity as Mayor of Dr Nkosazana Dlamini Zuma Municipality, to present the Final medium-term revenue and expenditure framework (MTREF) for 2020/2021 financial year and ensuing two years. In terms of section 21(2) (a)-(c) of the MFMA – ‘when preparing the annual budget, the mayor of a municipality must:

*(a)* Take into account the municipality’s integrated development plan (IDP);

*(b)* take all reasonable steps to ensure that the municipality revises the IDP in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;

*(c)* take into account the national budget, the relevant provincial budget, the national government’s fiscal and macro-economic policy, the annual Division of Revenue Act (DoRA) and any agreements reached in the Budget Forum’.

The Council of Dr Nkosazana Dlamini Zuma Municipality, in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000), must also approve and adopt with effect from 1 July 2020, the tariffs for property rates, the tariffs for solid waste services and the tariffs for other services.

**Government Allocations for 2020/21 Financial Year**

Allocations published in the 2020 Division of Revenue Act and Provincial Gazette indicates the following:

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**BUDGET SUMMARY 2020/21 MTERF**

The Final budget presentation reflects the following consolidated (summary)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Adjustment Budget 2019-2020** | **Draft Budget 2020-2021** | **Budget Estimate 2021-2022** | **Budget Estimate 2022-2023** |
| Total Revenue |  R 216 941 419 | R 221 105 838 | R 231 642 422 | R 239 284 646 |
| Total Operating Expenditure | -R 189 799 601 |  R 191 946 189 | R 199 166 503 |  R 207 877 764  |
| **Surplus/(Deficit) Before Capital Expenditure** | **R 27 161 817** | **R 29 159 649** | **R 32 475 919** | **R 30 393 000** |
| Capital Expenditure | -R 90 037 603 | -R 88 087 399 | -R 63 752 334 | -R 67 580 354 |
| **Surplus/(Deficit) for the year** | **-R 30 121 000**  | **-R 58 927 750**  | **-R 34 113 334** | **-R 37 187 354** |

The INEP grant is shown as a separate line item not part of the budget summary because It is not included in the Municipality’s revenue and expenditure in table A4. The municipality will receive R 6,9 million in the 2020/21 financial year. However, Grant revenue is not shown in table A5 of the municipality’s budget because the municipality acts as an agent in terms of the service level agreement with Eskom. The grant receipt has been recorded in table SA18 and grant expenditure recorded in table SA19. Furthermore, the inflow and the outflow of the grants has been recorded in table A7 accordingly.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Adjustment Budget 2019-2020** | **Draft Budget 2020-2021** | **Budget Estimate 2021-2022** | **Budget Estimate 2022-2023** |
| Electrification Projects | R 19 729 856 | R 6 930 000 | R 6 000 000 | R 6 000 000 |

The 2020/2021 Total Revenue from capital and operational grants transfers is R 169, 3million excluding INEP grant and municipal own revenue is R 51,8 million.

**Capital Expenditure and Service Delivery Budget**

Dr Nkosazana Dlamini Zuma Municipality has budgeted an amount of R 88 087 88 399 to fund it capital expenditure in 2020/2021 financial year for the municipality to deliver adequate services to it community.

National Treasury has allocated an amount R 26 989 000 to Dr Nkosazana Dlamini Zuma Municipality for Municipal Infrastructure Grant (MIG), and the Municipality will use the above grant to successfully Construct the following projects to it community.

**Integrated National Electrification Programme (INEP) funded projects is R 6,9 Million**

Dr Nkosazana Dlamini Zuma Municipality is acting as an agent in the capacity of Eskom as per Service Level Agreement between the Municipality and Eskom.

**Plant & Equipment to assist with Maintenance of infrastructure is allocated a budget of R3,5 million to procure:**

* 10x Skip bins
* Skip Truck

**Other Internally Funded projects is R 61 Million**

|  |
| --- |
| * Procurement of Computer Equipment
 |
| * Procurement of Furniture and Equipment
 |
| * Procurement of Computer Software
 |
| * Procurement of Transport assets
 |
| * Construction of Fire Station
 |
| * Procurement of Plant and Equipment
 |
| * Procurement of GPS Equipment
 |
| * Building of Industrial Business Park/ Hub
 |
| * Fresh Produce Market
 |
| * Creighton Artificial Sportfield
 |
| * Bus Shelters
 |
| * Underberg Taxi Rank Upgrade
 |
| * Gobhogobho Hall
 |
| * Municipal Offices
 |
| * Upgrade of Underberg road
 |
| * Bulwer Asphalts Roads 6
 |
| * Creighton Asphalt Road 5
 |
| * Donnybrook Asphalt Surfacing - Phase 3
 |
| * Bulwer Asphalt Road Phase 7
 |
| * Donnybrook Asphalt Surfacing Phase 4
 |
| * Himeville Asphalt Surfacing Phase 2
 |
| * Himeville Asphalt Surfacing Phase 1
 |
| * Underberg Asphalt Roads phase 2
 |
| * Creighton Asphalt Road Phase 6
 |
| * Backup Generator
 |
| * Creighton Library-Conversion of Maliyavuza
 |
| * Procurement Installation of Cameras
 |
| * Procurement of Fiber Connection Cable
 |
| * Procurement of Kitchen Equipment Animal
 |
| * Procement of Gazeboz and Folding tables
 |
| * Build Sound System
 |
| * Furniture for Activity Room
 |
| * Zekeleni Access Road
* Chapter Access Road
* Sidandane Access Road
* Nomandlovu Access Road
* Buyani Sportfield
 |
| * Sawoti Access Road
 |
| * Paving and Parking
 |
| * Guard house x4
 |
| * Furniture & Shelters
 |
| * Fencing Common Dam
 |
| **Repairs & maintenance budget is R 11,7 million*** Transport Assets
* Roads
* Community assets
* Office Buildings
* Office Buildings (Electricity)
* Plant and Equipment
 |

Dr Nkosazana Dlamini-Zuma Municipality is committed in developing community and youth residing within the Dr NDZ area. A number of projects have been budgeted for in the special programmes unit to ensure that the groups people existing in the Dr NDZ Community are sufficiently catered for.

**Summary of the Special Programmes that are catered for in the 2020/21 financial year**

Further detailing of the special programmes and other projects is outlined as follows:

**Fire/Disaster Management Center Establishment R 9 933 336.00**

There are a number of disasters that likely to occur within the jurisdiction of Dr. Nkosazana Dlamini Zuma Municipality: Road Accidents, Wild Fires, Flooding, Snow, Windstorms, Lightning Strikes and Drought. The following will be undertaken in 2020/2021.

* Construction/Establishment of Fire/Disaster Emergency Management Center (Phase 1 for 3-year period). The construction has started in in the 2019/2020 financial year.
* Ensuring sustainability of the Disaster Management Advisory Forum (DMAF)
* Procurement of disaster/ fire equipment
* Appointment of Fire Fighters
* Conducting Integrated Community Safety Awareness Campaign
* Procurement of one Disaster Vehicles and Disaster Relief Materials

**Youth Development programs, activities and Bursaries R 1 414 450**

* Bursaries to best performing students
* 1 Back to School campaign
* 1 Education Summit coordinated
* Matric Award
* Career Exhibitions coordinated
* Training of 10 youth co-operatives involved in farming
* Training 10 youth co-operatives/ Businesses with Business Management Skills
* Conducting 08 computer trainings
* Coordinating opening of one FET for skills programs/trainings
* Assisting youth in blocks making with accreditation by SABS
* Assisting of youth in tyre industry
* Assisting youth cooperatives

**Small Micro Business Development and LED Initiatives R 2 699 326.00**

* Strengthening of LED and SMME Support Centre/Unit
* Targeted Programme Support (Clothing and Textile, Bricklayers, Home Stays)
* Construction of Small-Scale industrial park in Creighton, plans and designs to be done in 2019/2020
* Promoting and marketing of SMME products in 5 external trade exhibitions and shows
* Materials & Equipment’s support to SMMEs/Co-ops
* 15 Emerging Farmers projects supported with materials
* 60 Emerging Farmers trained and empowered with skills
* 60 SMME’s Trained
* 2 Fashion Design Talent Search coordinated
* Coordinating LED & Business Forums
* SMME & Co-op Projects supported with non-agricultural material

**Safety and Enforcement of Municipal Bylaws Operational**

* Conduct 4 Multistakeholder road blocks
* Conduct more than 20 local road blocks
* Conduct 12 school road safety school awareness campaigns
* Enforcement of all Municipal bylaws
* Procurement of Traffic Road Block Trailer R 155 000

**Pound Management Operational**

* Conducting pound awareness campaigns

**Libraries R 776 223**

* Construction of Creighton Library commenced in 2019/20 financial year to be completed in the 2020/21 financial year.
* Community trainings - Conduct 12 computer trainings
* Conduct 16 library community outreach programmes0

**Arts and Culture programs R 886 810**

* Train Arts and Culture Forum
* Trainings for Crafters
* 15 crafters supported with material
* Training of Artists
* Umkhosi Womhlanga,
* Umkhosi Wezintombi Zase Harry Gwala
* Royal Show Exhibition supporting local crafters
* Isicathamiya
* Local Cultural Competitions

**Sports Development programs R 546 075**

* Train 10 Sports coaches
* Development of Soccer, Athletics, Chess, Cricket, Boxing and Swimming
* Rural Horse-Riding Competitions coordinated
* Harry Gwala Summer Cup held
* Sani Stagger Marathon held
* Coordination of SALGA selections & preparations games
* Coordination of Salga Athletics Preparation of Salga Athletics Team through School Sport
* Coordinating Bongumusa Training Marathon
* Festive Sport Tournaments - Ward based festive tournaments held as per war room need.
* 10 Jockeys trained

**Senior Citizens, HIV/AIDS, Disability, Gender R 383 660**

* Golden Games held at Local, District and Provincial Level
* 1 Senior Citizens event held
* 1 Disability Summit held
* 1 TB Campaign Held
* 1 International World Aids Day Held
* Coordination of LTT & Gender Forums
* Coordination of Senior Citizens and Disability Forums
* Commemoration of Nelson Mandela Day
* Celebration of Men's Day
* Commemoration of Women's Day
* 16 Days of Activism Against Child and Women Abuse Campaign
* Commemoration of Human Rights Day
* 1 Children's Week held

**Tourism Programs R 1 816 260**

* 2 Community Tourism & Hospitality Skills training conducted
* External Marketing of Southern Drakensburg on tourism shows and exhibitions
* Cultural food tasting expo and Duzi to Sani 4x4 expeditions
* Wards Based Community Tourism Development Structure formed and trained
* Servicing of Trains and transportation of coaches
* 7 500 developed and printed Destination marketing/ Promotional Material.
* Establishment of rail and bike tourism in Underberg
* Coordinating Tourism Forums
* Coordinating Aloe Festival

**Township Establishment R 900 000**

To improve and optimize land usage and curb unsustainable development practices

The following project will be implemented

* Reviewing the SDF
* Adopting Land Use Scheme
* Approved Bulwer General Plan by Surveyor General
* Business and Advisory: Project Management
* Business and Advisory: Research and Advisory
* Business and Advisory: Commissions and Committees
* Infrastructure and Planning: Geoinformatics Services
* Infrastructure and Planning: Land and Quantity Surveyor
* Infrastructure and Planning: Town Planner (Wall to Wall Scheme)

**Free Basic Services R2 080 372**

* Free Basic electricity
* Refuse
* Rates
* Indigent (Funeral support)

**Public Participation, Communication, Community Functions and Ward committees**

**R 2 528 164.00**

In order to encourage participation of the local community in the affairs of the municipality by June 2022.

* Review public participation strategy and ward committee policy
* Coordinate public participation meetings
* Conduct community satisfaction surveys
* Establish a functional Rapid Response Team
* Co-ordinate training of Ward Committees

**General Expenditure and Employee Costs**

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

**Policies and by-laws**

There were no major changes on finance and budget related policies and by-laws. There were also no major changes on other policies. By-laws would have reviewed as the service provider was appointed to assist with the review of by-laws for Dr Nkosazana Dlamini Zuma Municipality.

Ladies and gentlemen, may I take this opportunity to thank you for your attentiveness and your contribution in the on-going development of Dr Nkosazana Dlamini Zuma Municipality.

Thank you

**Councillor P.N Mncwabe**

**Mayor of Dr Nkosazana Dlamini Zuma Municipality**

* 1. **COUNCIL RESOLUTION**

On the 31 March 2020 the Council of Dr Nkosazana Dlamini-Zuma Municipality will met in the Council Chambers of Dr NDZ to consider the draft budget of the municipality for the financial year 2020/21. The Council, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) to note and adopt the following:

* The Draft budget of the Municipality for the financial year 2020/21
* The Draft budget related policies for the financial year 2020/21

**Consolidated budget schedules A1 to A10.**

* Budget Summary as contained in Table A1
* Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
* Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
* Budgeted Financial Performance (revenue and expenditure) as contained in Table A4;
* Budget Capital Expenditure by municipal vote, functional classification and funding by contained in Table A5.
* Budgeted Financial Position as contained in Table A6;
* Budgeted Cash Flows as contained in Table A7;
* Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
* Asset management as contained in Table A9; and
* Basic service delivery measurement as contained in Table A10.
	1. **EXECUTIVE SUMMARY**

 **Introduction**

This 2020/21 – 2022/23 Tabled Medium -Term Revenue and Expenditure Framework (MTREF) budget report deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposal to ensure that Dr Nkosazana Dlamini Zuma Municipality renders services to their local communities in a financial and sustainable manner.

**Background**

The application of sound financial management principles for the compilation of Dr Nkosazana Dlamini Zuma Municipality’s budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality’s business and service delivery priorities were reviewed as part of this year’s planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and ‘nice to have’ items.

Dr Nkosazana Dlamini-Zuma Municipality is in the process of implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality will undertake various customer care initiatives to ensure that the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality has a Revenue Enhancement Strategy that needs to be approved by the council.

The main challenges experienced during the compilation of the 2020/21 MTREF can be summarised as follows:

* The on-going difficulties in the national and local economy;
* The rate of unemployment in the community that we are serving, having a negative impact on the collection over revenue, and increasing number of indigents.
* Aging and poorly maintained infrastructure;
* The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
* Decreased of Grant funding of capital projects resulting in cutting of some of the projects that were supposed to be done in this financial year, thus delaying the service delivery; and
* Unavailability of affordable funding

**Financial Sustainability**

Financial sustainability over the long-term has to do with the maintenance of high priority expenditure programmes, both operating and capital to ensure programmes sustainability and desire quality of service to be rendered. There must also be rates and service charges stability and predictability in the overall rate burden by ensuring reasonable tares and service charges to fund programmes.

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

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

* The 2020/21 Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2020/21 final budget;
* Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality.
* 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 gazette as required by the annual Division of Revenue Act.

**Table below presents a consolidated overview of the 2020/21 budget.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| **Description** | **Adjustment Budget 2019-2020** | **Draft Budget 2020-2021** | **Budget Estimate 2021-2022** | **Budget Estimate 2022-2023** |
| Total Revenue |  R 216 941 419 | R 221 105 838 | R 231 642 422 | R 239 284 646 |
| Total Operating Expenditure | -R 189 799 601 | -R193 946 189 | -R 201 258 503 |  -R210 065 996 |
| **Surplus/(Deficit) Before Capital Expenditure** | **R 27 161 817** | **R 27 159 649** | **R 30 382 919** | **R 29 218 650** |
| Capital Expenditure | -R 90 037 603 | -R 88 087 399 | -R 63 752 334 | -R 67 580 354 |
| **Surplus/(Deficit) for the year** | **-R 30 121 000**  | **-R 60 927 750**  | **-R 33 369 415** | **-R 38 361 704** |

Total operating revenue for the municipality has been increased by 2% per cent or R4, 2 million for the 2020/21 financial year when compared to the 2019/20 Adjustments Budget. For the two outer years, operational revenue will increase by 5% in the 2021/22 financial year and 6% in the 2022/23 financial year.

Total operating expenditure for the 2020/21 financial year has been increased by 2%, or R3,1 million when compared to the 2019/20 Adjustments Budget. The amount for depreciation in 2020/2021 financial year is at R 39,5 million and it has increased by R 11,7 million when compared to the 2019/20 Adjustment Budget and provision for bad debts is at R6, 8million. Repairs and Maintenance **–** increased by 20% or R 2, 4million when compared to the 2019/20 Adjustment Budget

* **Provision for debt impairment**

The provision of debt impairment was determined based on an annual collection rate for 2019/2020. For 2020/21, financial year this item is allocated an amount of R6,8million and escalates to R 7, 1million in the following year. While this expenditure is considered to be a non-cash item, it informed the cost associate with rendering the service of the municipality, as well as the municipality’s realistically anticipated revenue.

* **Provision for depreciation and asset impairment**

Provision for depreciation and asset impairment has been informed by the municipality’s Assets Management policy. Depreciation is widely considered a proxy for the rate assets consumption. Budget appropriation in this regard totals to R 39,5 million for 2020/21 financial year escalating to R 41,3 million in 2021/2022 financial year and 43,2 million in 2022/2023.

* **Capital Budget**

The capital budget of R 88,1 million for 2020/21 is 2% less when compared to the 2019/20 Adjustment Budget. The municipality rely on the gazzetted capital grants (MIG) to be received for the 2020/21 financial year. The decrease is due to fact that gazzetted capital grant for Dr NDZ is not enough to fund many projects that the municipality had for the 2020/21 financial year, as a result the municipality used its own funding of R 6,1 million to fund other capital projects, the municipality could not use more of the reserves to fund capital expenditure.

* + 1. **OPERATING REVENUE FRAMEWORK**

The rates revenue collection is currently expressed as a percentage (75%) of annual billings based on the previous year’s actual. The percentage could have been increased to 85% for the upcoming financial year but due to the news of the COVID-19 the Municipality is afraid that it might affect the economy negatively and that resulting into the customers being in denial to pay. The performance of arrear collection will however only be considered as a source of additional cash in-flow once the performance has been prudently monitored.

2020/2021 overall tariffs have increased by 6% due to the increase of 9% for Business and Commercial when compare with the 2019/2020 tariffs. Business and Commercial has been increased by 9% in order for its tariffs to be in line with municipal rate ratio between the residential and non-residential categories of property of 1:2 which is for Business and Commercial.

The following stipulations in the property rates are highlighted:

* The first R 50 000.00 of the market value of property used for residential purposes and First R 15,000 of the Municipal Value of a multiple use property is excluded from the ratable values (Section 17 (h) of the MPRA).
* 30% rebate will be granted for developed properties
* 30% rebate will be granted to agriculture
* 20% rebate is granted for Tourism and Hospitality
* 100% rebate will be granted to registered indigents in terms of the indigent policy.
* For pensioners, physically and mentally disabled persons, a maximum/ total rebate 75% to owners of ratable properties if the total gross income of the applicant and his/her spouse, if any, does not exceed the amount of equal to twice the annual state pension as approved by government for a financial year.

For Dr Nkosazana Dlamini Zuma Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

* National Treasury’s guidelines and macroeconomic policy;
* Growth in the Municipality and continued economic development;
* Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
* Achievement of full cost recovery of specific user charges especially in relation to trading services;
* Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
* The municipality’s Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
* Increase ability to extend new services and recover costs;
* The municipality’s Indigent Policy and rendering of free basic services; and
* Tariff policies of the Municipality.

Grants remain the largest revenue source and property rates is the second and third source is interest on investment and the fourth one is other revenue. Municipality have been urged to review the tariffs of the items on annual basis to ensure they are cost reflective market related.

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

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, petrol, diesel, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. The Municipality will have to implement a refuse removal strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

**Total Operating revenue and Tariffs**

The total rates revenue has increased by 6% for the 2020/21 financial year when compared to the 2019/20 Adjusted Budget. For the two outer years, total operating revenue will increase by 5% and 6% respectively. Services Charges revenue has increase by 4.5% overall but showing a decrease of R 191 346 when compared to the 2019/20 Adjustment Budget due to the increase in the number of the indigent people have been identified,

Total Revenue increased by 2% and Property rates increased by 6%,

Total other own revenue for 2019/20 financial year reduced to R1,1 million when compared to the 2019/20 Adjustment Budget, the escalation in the last year’s budget was due to the budgeted sale of train coached which will not take effect this coming financial year.

 Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. However, excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. The municipality has embarked on different strategies of revenue collection in the 2019/20 financial year of which it is slowly helping the municipality to collect its old debt from its customers.

**The following table is a summary of the 2020/21 MTREF (classified by main revenue source):**

**Table A4 Summary of revenue classified by main revenue source**



The table above indicates the municipality’s main sources of revenue generation. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table SA1

Other revenue for 2020/2021 financial year decreased to R 1,1 million when compared to the 2019/20 Adjustment Budget. A decrease was applied after taking into consideration the previous year’s actual performance as at the end of March 2020.

Interest on investments was increased by 4.5% after considering total municipal investments

Interest in outstanding debtors has been increased by 4.5% when compared to the 209/20 Adjustment Budget, the increase took effect after taking into consideration the current year performance and the strategies that the municipality will be implementing strategies to collect the outstanding debt.

Fines, penalties and forfeits was increased by R 26 886 when compared to the 2019/20 Adjustment Budget, the 5% increase was applied and the addition is to cater for the fines on pound services for animal control service as the municipality is charged with responding to requests for help with animals ranging from wild animals, dangerous animals, or animals in distress.

Licenses and permits show an increase of R 33 785 when compared to the 2019/20 Adjustment Budget, the current year performance was considered and a percentage (8.5%) of the agency services that the municipality receives for performing services for the department of transport.

It must be noted that the municipality has separated the two-line items in the 2020/21 draft budget as follows

* Drivers Licenses application budget - R 379 392.00
* Drivers licenses application – Agency fees budget - R 33 249.00

Operating grants transfers totals R 142,3 million in the 2020/21 financial year and they show an increase of 4,8% when compared to the 2019/20 Adjustment Budget. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table SA18 Operating Transfers and Grant Receipts**



**1.3.2 OPERATING EXPENDITURE FRAMEWORK**

Dr NDZ Municipality’s expenditure framework for the 2020/21 budget and MTREF is informed by the following:

* The asset renewal strategy and the repairs and maintenance plan;
* Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
* Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
* Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
* Strict adherence to the principle of ‘no project plan, no budget’. If there is no business plan no funding allocation can be made.

**The following table is a high-level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):**

Table A4 Summary of operating expenditure by standard classification item.



**Operating Expenditure Budget**

The total operating expenditure has increased to R 193,9 million and that increase is 2% when compared to the 2019/120 Adjustment The budgeted allocation for employee related costs for the 2020/21 financial year total to R 67,9 million and shows an increase of 11% when compared to the 2019/20 Adjustment Budget, the increase above CPI is due to the fact that the budget was adjusted down during the 2019/20 adjustment budget because of positions vacated during year and those that were not filled and will only be filled in the 2020/2021 financial year and new vacant position.

1. **Remuneration of councilors** has decreased by 5.7% when compared to the 2019/20 Adjustment Budget, the contributing factor to that is that there was no publication of the gazette to say that the Councilors remuneration will increase.

The MFMA threshold is between 25-40% on salaries over Operating budget. In terms of the 2020/2021 budget the municipality is sitting at 40%. In order for the municipality to be in line with the MFMA it has considered and explore the following options,

1. Outsource some municipal services

2. Amalgamate other vacant positions

3. Implement Revenue enhancement strategy with the aim of increasing the income which will increase the financial capability of the municipality to deliver the required services to the community,

The municipality will ensure that the above options are considered and implemented without any negative effects to the community/to the service delivery.

**2. Contracted services** expenditure totals to R33,5 million and has decreased by 25% when compared to the 2019/20 Adjustment Budget of R 44,4 million and that clearly demonstrates that the municipality implement cost containment measures.

**3**. **Other expenditure** comprises of various line items relating to the daily operations of the municipality. The general expenditure has decreased to 10% when compared to the 2019/20 Adjustment Budget of R 30,8 million and its clearly demonstrates that the municipality is implementing cost containment measures.

**4.Repairs and maintenance** as a percentage of operating expenditure is sitting at 6% and as a percentage of PPE is sitting at 3% which is far below the norm of 8% as recommended by MFMA Circular No.55, this is because the municipality has a strategy to maintain its assets through EPWP and use of the municipality’s plant and Machineries. The municipality has procured the TLB, Grader and tipper trucks, the budget amount is adequate to secure the ongoing health of the municipality’s infrastructure.

**The table below provides a breakdown of the repairs and maintenance in relation to asset class:**

**Table SA34c Repairs and maintenance by asset class**



 **Cost Containment Measures**

The municipality also has a policy in place dealing with the cost containment measures in order to cut costs on the following proposed items:

* Vehicles used for political office-bearers
* Vehicles used by officials
* Use of accommodation and training
* Travel & subsistence
* Domestic accommodation
* Telephone, cell phone and computer usage
* Sponsorships, events & catering
* Catering
* Printing and stationery
* Employee costs
* Mobilisation of resources for the municipality
* Refuse/waste transportation
* Construction of projects internally
* Application of premium on goods and services
* Communication and advertising
* Conferences, meetings & study tours
* Other related expenditure items
	+ 1. **CAPITAL EXPENDITURE**

Capital expenditure totals to R88,1 million and has decreased by 2% when compared to the 2019/20 Adjustment Budget. The decrease is due to fact that gazzetted capital grant (MIG) for Dr NDZ is not enough to fund many projects that the municipality had for the 2020/21 financial year, as a result the municipality used its own funding of R 61 million to fund other capital projects.

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

Table A5 capital expenditure by vote, functional and funding



* 1. **ANNUAL BUDGET TABLES**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality’s 2020/21 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

**A1 - Budget Summary**

Table A1 below is a budget summary and provides a concise overview of the Dr NDZ municipality’s budget from all the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality’s commitment to eliminating basic service delivery backlogs.

A financial management reform emphasizes 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:

1. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF Capital Internally generated funds are financed from cash back surplus from previous years.



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

Table A2 below is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile ‘whole of government’ reports. Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 which excludes the transfers recognized - capital.



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

 Table A3 below 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 Dr NDZ Municipality. This means it is possible to present the operating surplus or deficit of a vote.



**Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Total operating revenue is R194,1 million in 2020/21 this represents an increase of 2 per cent when compared to the 2019/2020 adjustment budget.



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

Table A5 below indicate a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year appropriation); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

Capital expenditure totals to R88,1 million and has decreased when compared to the 2019/20 Adjustment Budget. The municipality Highly reliant on the Government grants (MIG) to be received for the 2020/21 financial year. The decrease is due to fact that gazzetted capital grant for Dr NDZ is not enough to fund many projects that the municipality had for the 2019/20 financial year, as a result the municipality used its own funding of R 61 million to fund other capital projects.



**Table A6 - Budgeted Financial Position**

Table A6 below gives an indication of the municipality’s financial status consistent with international good financial management practice and gives indication of that the municipality need to improve its financial viability on an ongoing process.



**Table A7 - Budgeted Cash Flow Statement**

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Cash and cash equivalents totals R 121,6 million as at the end of 2019/20 financial year and decreased to R94,5 million in the 2020/21 financial year and increased to R119,2 million by 2021/22**.** The municipality needs to find more strategies of revenue collection in order to be able to collect more revenue and cut more on some of the expenditure items to manage the cash flow of the municipality.



**Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**



**Table A9 - Asset Management**

Table A9 below provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.





**Table A10 - Basic Service Delivery Measurement**

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.



 **PART 2 – SUPPORTING DOCUMENTATION**

 **2.1 Overview of the Annual Budget Process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Members of Finance Committee, Executive Council, Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor. The primary aims of the Budget Steering Committee are 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 district IDP and the budget, considering 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 4. That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

**Budget Process Overview**

In terms of section 21 of MFMA

1.) The mayor of a municipality must: -

 (a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;

(b) at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for-

 (i) the preparation, tabling and approval of the annual budget;

 (ii) the annual review of- (aa) the integrated development plan in terms of section 34 of

 the Municipal Systems Act; and (bb) the budget-related policies

 (iii) the tabling and adoption of any amendments to the integrated development plan

 and the budget-related policies; and

 (iv) any consultative processes forming part of the processes referred to in
 subparagraphs (i), (ii) and (iii).

(2) When preparing the annual budget, the mayor of a municipality must-

(a) take into account the municipality’s integrated development plan;

 (b) take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;

(c) consider the national budget, the relevant provincial budget, the national government’s fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

(d) consult-

 (i) the relevant district municipality and all other local municipalities within the area of the district municipality, if the municipality is a local municipality;

 (ii) all local municipalities within its area, if the municipality is a district municipality;

 (iii) the relevant provincial treasury, and when requested, the National Treasury; and

 (iv) any national or provincial organs of state, as may be prescribed; and

(e) provide, on request, any information relating to the budget-

 (i) to the National Treasury; and

 (ii) subject to any limitations that may be prescribed, to-

 (aa) the national departments responsible for water, sanitation, electricity and any other

 service as may be prescribed;

 (bb) any other national and provincial organ of states, as may be prescribed; and (cc)

another municipality affected by the budget.

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. The Mayor tabled in Council the required IDP and budget time schedule in July 2019. Key dates applicable to the process were:

a) October and November 2019 –The municipality hosted IDP roadshows as part of the public consultations as a process of the IDP review.

b.) January 2020 - Council considers the 2019/20 Mid-year Review and Adjustments Budget;

c.) February 2020 - Council considers the 2019/20 Adjustments Budget;

d.) March 2020 – Joint strategic planning session of the 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;

e.) March 2019 - Recommendations of the extended management committee are communicated to the Budget Steering Committee, and on to the respective departments and The draft 2019/20 MTREF is revised accordingly

f)31 March 2020 - Tabling in Council the draft 2020/21 IDP and Draft Budget for public consultation;

g) April to May 2020 – Public consultation

h.) May 2020 – finalization of the 2020/21 IDP and draft budget MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and

k) 30 May 2020 - Tabling of the 2020/21 MTREF to Council for consideration and approval.

* 1. **OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

The 2020/21 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

* 1. **MEASURABLE PERFOMANCE 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 NDZ 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.

* 1. **OVERVIEW OF BUDGET RELATED-POLICIES**

There were no major changes on finance and budget related policies and by-laws. There were also no major changes on other policies..

Minor reviews were considered on the following polices

**Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in May 2018. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

**Tariff Policy**

The municipal tariff policy provides a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy has been approved by council

**Property Rates Policy**

The purpose of the rates policy is to: -

* Comply with the provisions of the Municipal Property Rates Act, specifically with section 3 thereof;
* Give effect to the principles outlined hereunder;
* Ensure the equitable treatment of persons liable for rates;
* 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;
* Determine or provide criteria for the determination of categories of properties and categories of owners of properties;
* Determine criteria to be applied for granting exemptions, rebates and reductions; Determine how the municipality's powers must be exercised in relation to multi- purpose properties;
* Determine measures to promote local economic and social development; and Identify which categories of properties the municipality has elected not to rate as provided for in section 7 of the Act.

**Virement Policy**

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA. The Budget and Virement Policy was approved by Council after having been amended accordingly.

**Stores Management Policy**

The Policy aims to achieve the following objectives which are to: -

1. Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
2. Procure inventory in line with the established procurement principles contained in the Municipality’s Supply Chain Management Policy.
3. Eliminate any potential misuse of inventory and possible theft.

**Cash bank and Investment**

The objectives of the Cash Management, Banking and Investment Policy are to:

* Manage the net current asset requirement of the municipality is such a manner that it will not tie up the municipality’s scarce resources required to improve the quality of life of the citizens;
* Manage the financial affairs of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets of the municipality.

**Budget Process policy**

The objective of this Policy is to set out the budgeting principles which the Municipality will follow in preparing each annual budget, as well as the responsibilities of the Mayor, Municipal Manager and Chief Financial Officer in compiling such a budget.

**Petty Cash policy**

The objective is to provide guidelines on the usage and management of petty cash by the Municipality.

**Cost containment policy**

The objectives of this Policy is to ensure that the resource of the municipality is used effectively, efficiently and economically and to ensure the implementation of cost containment measures

**Indigent Policy**

Due to the high level of unemployment and subsequent poverty in the municipal area, there are households which are unable to pay for normal municipal services. The Municipality therefore adopts this Policy to ensure that these households have access to at least basic municipal services and is guided in the formulation of this Policy by the national government’s policy in this regard.

**Other budget related policies consist of the following: -**

* Credit control and debt collection
* Fleet management policy
* Funding compliance policy
* Revenue enhancement strategy policy
* Property Rates-by law policy
* Assets management and disposal policy
* Borrowing policy
* Customer Care Policy
* Customer Service Chatter Policy
* Hall hire Policy and Procedures
* Unclaimed Monies Policy
	1. **OVERVIEW OF BUDGET ASSUMPTION**

**Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:**

* Protecting the poor from the worst impacts of the economic downturn
* Expediting spending on capital projects that are funded by conditional grants.
* Freezing many vacant positions
* Supporting viable Small and Micro businesses
* Cutting cost from the operating expenditure

**General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2020/2021 MTREF:

* National Government macro-economic targets;
* The general inflationary outlook and the impact on Dr NDZ residents and businesses;
* The impact of municipal cost drivers;
* The increase in the cost of remuneration
* Employee related costs MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions were considered.
	1. **OVERVIEW OF BUDGET FUNDING**

**Medium-term outlook: operating revenue**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. Dr NDZ Municipality derives most of its operational revenue from property rates, operational grants and capital grants from organs of state and other minor charges (such as building plan fees, rent and traffic fines etc.)

The future fiscal sustainability of the municipality is not very positive. The following are contributing factors for this situation:

* The continued inability of consumers to settle outstanding accounts
* Government departments not paying their rates accounts
* Poor of revenue base on high rate of Indigent people around Dr NDZ area
* The continued dependency on grant funding from the national Provincial government

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

• Growth in the local and economic development;

• Revenue management and enhancement;

• To achieve at least 95 per cent annual collection rate for consumer revenue

**Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below gives a brief overview of the cash flow management of the of the municipality.

Table below table indicate the actual cash that the municipality is anticipating to collect. The municipality is anticipating collecting 75% of the total revenue billed in the 2020/21 financial year considering the municipality’s collection trend of the previous financial years.

Table A7 - Budget cash flow statement



**Cash Backed Reserves/Accumulated Surplus Reconciliation**



* 1. **Expenditure on allocations and grant programmes**

It is estimated that a spending rate of at least 95 per cent is achieved on operating expenditure and 96 per cent on the capital projects for the 2020/2021 MTREF of which performance has been factored into the cash flow budget.

* 1. **Allocations or grants made by the municipality**

The municipality does not have any allocations or grants made by the municipality.

* 1. **Councilors Allowances and Employee benefits**

The following table is a breakdown of Councilors Remuneration and Employee salaries and benefits for the year 2020/2021.

* 1. **IDP, Budget and Service Delivery and Budget Implementation Plan**

Dr NDZ IDP is a principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

* Registration of community needs;
* Process Plan applicable to the fourth revision cycle including the following key IDP processes and deliverables:
* Compilation of departmental business plans including key performance indicators and targets;
* Financial planning and budgeting process;
* Public participation process;
* Compilation of the SDBIP, and
* The review of the performance management and monitoring processes.

Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

* 1. **LEGISLATION COMPLIANCE STATUS**

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

1. **In year reporting**

In year reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality’s website.

1. **Internship programmes**

Internship programme **–** the municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department and internal auditing. Three of the interns have attended the MFMP and completed it, the other two interns will start at the beginning of the new financial year.

1. **Budget and Treasury Office**

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

1. **Audit Committee**

An Audit Committee has been established and is fully functional.

 **e.) Service Delivery and Budget implementation Plan**

 The detail SDBIP document is at a draft stage and will be finalized with 28 day after approval of the 2020/21 MTREF.

 **f.) Annual Report**

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

 **g.) Policies**

Policies The review of all budget related policies has taken place in terms of Regulation 7 of the MBRR.

 **h.) Budget Preparation**

This Budget has been prepared in terms of section 21 of the MFMA No. 56 of 2003. The municipality has taken the following macro-economic forecasts into consideration when preparing the 2020/2021 Municipal budget and MTREF as stipulated in MFMA circular No. 99.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Fiscal year** | **2019 Estimates** | **2020** | **2021 Forecast** | **2022** |
| Real GBD Growth | 0.3% | 0.9% | 1.3% | 1.6% |
| Consumer Price Inflation (CPI) | 4.1% | 4.5% | 4.6% | 4.6% |

* 1. **OTHER SUPPORING DOCUMENTS**
		1. **Reason for differences between Valuation Roll and System**
* There are properties that were transferred to Ubuhlebezwe, Impendle and Umsunduzi as a result of the redetermination of municipal boundaries by the demarcation board, the properties are still on the system but there are sitting at zeros.
* There are also properties that have been consolidated and there are those that have been sub-divided, and the changes are only captured on the system we still waiting for the process to be finalized.
	+ 1. **Municipal regualtion on the Standard Chart of Accounts (mSCOA)**

The municipality is implementing MSCOA.

* + 1. **Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2020/2021 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

• Local Economic growth

• Policy priorities and strategic objectives

• Asset maintenance

• Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)

• Performance trends

• The approved 2019/2020 adjustments budget and performance against the SDBIP

• Cash Flow Management Strategy

• Debtor payment levels

• Loan and investment possibilities

• The need for tariff increases versus the ability of the community to pay for services;

• Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury’s MFMA Circulars 88, 89 and 91 and prior circulars has been taken into consideration in the planning and prioritization process.

* + 1. **Planning, budgeting and reporting cycle**

The performance of Dr Nkosazana Dlamini Zuma Municipality relates direct to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The NDZ therefore has adopted one integrated performance management system which encompasses.

* + 1. **Disposal of Assets**

The municipality has not yet identified assets that will be disposed in 2020/2021 financial year.

* **Performance indicators and benchmarks**

***a)******Revenue Management***

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

***b) Creditors Management***

Dr NDZ has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation.

This has had a favorable impact on supplier’s perceptions of risk of doing business with Dr NDZ Municipality, which is expected to benefit the local community in the form of more competitive pricing of tenders, as suppliers compete for the Dr NDZ business

**c) Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulties on paying for the basic services and are registered as indigent households in terms of the Indigent Policy of the Dr Nkosazana Dlamini Zuma Municipality. Only registered indigents qualify for the free basic services.

**Capacity to execute projects internally**

The municipality will procure additional Plants and Machinery. R 3,5 Million has been set aside to procure those plant and Machineries. Labour intensive program will be phased in on small to medium renovation projects.

**Electricity**

95% of Dr NDZ households have access to electricity. R 6.3 million has been set aside for infills and few farm communities.

**Roads**

The municipality currently have more than 137 roads on the PPE Register which varies in sizes of kilometres. There are approximately 181 roads requests by communities on the IDP. As new roads are constructed, plans to maintain the existing roads must be implemented, hence cutting unnecessary costs and on building internal capacity is needed.

**Community Halls**

The municipality currently have more than 55 registered and 19 unregistered community halls in 15 wards. Affordable maintenance and safeguarding of these assets is vital, while re-prioritisation and reconsideration of building community need to be explored.

**Repairs and Maintenance**

The municipality has budget 3% on repairs and maintenance which is far below the norm of 8% of the net value of PPE. EPWP, Labour intensive approach and additional plants will complement the budget.

**Waste Management and Cleanliness of our Towns**

The municipality is currently removing waste twice a week to all Dr NDZ households and four times a week in businesses.

The municipality will be opening a new waste transfer station at Bulwer and close the one at Himeville while minimising the illegal dumping to its community to keep our town clean.

* 1. **Municipal Manager quality certificate**

I, NC Vezi, Municipal Manager of Dr Nkosazana Dlamini-Zuma Local Municipality hereby certify that the Annual Final budget for the 2020/2021 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act,

Print Name : NC Vezi

Municipal Manager of Dr Nkosazana Dlamini-Zuma Municipality, KZN436

Signature \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_