MUSINA MUNICIPALITY DRAFT BUDGET NARRATIVE REPORT 2021/2022

ABBREVIATION

MFMA-Municipal Finance Management Act 56 of 2003

MBRR-Municipal Budget and Reporting Regulations

MTREF-Medium Term Revenue and Expenditure Framework

EPWP-Expanded Public Works Programme

FMG-Finance Management Grant

INEP-Integrated National Electricity Program

MIG-Municipal Infrastructure Grant

SPECIAL GRANT-Provincial Treasury Relief Grant

MSIG-Municipal System Infrastructure Grant

MAYORS REPORT

See as a separate attachment Draft Budget Speech by Her Worship Mayor of Musina, Cllr Mihloti Muhlope.

DEPARTMENTAL BUDGET BY MAJOR VOTE

Executive and Council	: R 86,865 million
Financial and Administration	: R 95,381 million
Community and Public Safety	: R 50,740 million
Economic and Environmental Services	: R 39,827 million
Trading Services	: R 154,465 million

GRAND TOTAL OF THE FINAL BUDGET: R 429 588 MILLION

OPERATING GRANT ARE AS FOLLOWS:

EPWP: R 1,715 Million

Equitable share: R 169 864 Million

Finance Management Grant: R 2,850 Million

GRAND TOTAL OF THE OPREATING GRANT: R 174 429 MILLION

Council Resolution and Quality Certificate

See attached

MULTI-YEAR FINAL BUDGET 2021/2022 – 2022/2023 -2023/2024

Report of the Chief Financial Officer

Purpose

The purpose of the report is to table the Multi-year Final Budget 2021/2022 – 2022/2023 – 2023/2024 to Council for approval.

Background

The IDP/Budget Process Plan to review the 2021/22 IDP/Budget was adopted on 27 August 2020 in terms of the provision of the Municipal Finance Management Act. The process plan outlines the key deadlines for the preparation, tabling and approval of the annual budget.

Discussion

Section 16 of the Municipal Finance Management Act stipulates the following:

It is stipulated by Section 16(2) of the Local Government Municipal Finance Management Act 56 of 2003 (MFMA) THAT THE Mayor should table the draft budget for the 2021/2022 - 2022/2023 and 2023/2024 financial year at a council meeting at least thirty(30) day before the start of the budget year.

Section 24 further stipulates that the Council must at least 90 days before the start of the budget year consider approval of the draft budget. Municipality before the start of that financial year.

This 2021/22 MTREF Budget places emphasis on inclusive growth, as well as a progressive programme of capital expenditures. The MTREF Budget also relies on practice of good governance and a public ethic that values honesty and fairness. If we act together, on these principles, as public representatives, civil servants, business people, youth, workers and citizens, we can overcome the challenges of tough economic times and difficult adjustments. National Treasury's MFMA Circular No.98 was used to guide the compilation of the 2021/22 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Realistic and achievable collection rates.
- Sustainable, affordable, realistic and balanced budget
- Major tariffs to be cost reflective, realistic and affordable
- Budget to contribute to achieving strategic objectives of the IDP
- Balancing capital expenditure for social, economic, rehabilitation and support.
- Income/ revenue driven budget: affordability i.e. if funds do not materialise, review expenditure.

In this MTREF we have ensured that we eradicate non-priority spending and reprioritise expenditure to focus on core infrastructure and service delivery.

The main CHALLENGES experienced during the compilation of the 2021/2022 MTREF are as follows:

- The ongoing difficulties in the national and local economy;
- Huge backlogs and further demands due to urbanization.
- Economic slowdown & unemployment: impacts on collection rates
- Limited available own funding to fund much needed infrastructure

- Strategic approach to vacancies. Analysis of vacancies carried out.
- Fuel, overtime, catering, and consultants are some of the costs that are closely monitored

OVERVIEW OF THE 2021/22 Draft MTREF

Total Draft budget for the 2021/22 financial year is R 474 541 million made up of an operating budget of R337 554 million and a capital budget of R36 988 million. The focus of this budget will be directed to the key areas in line with our promises to improve the lives of our people. Ensuring good governance in the City and ensuring the effective use of public funds and enhance accountability

The following assumptions were taken into account during the compilation of MTREF budget:

1. **Revenue: Tariff increases:**

- **Electricity:** charges proposed to increase by 6.7%.
- **Waste Removal:** charges proposed to increase by 5.6 %.
- **Assessment rates:** charges proposed to increase by 5.6 %

The municipality will embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and to ensure that all revenue due is billed correctly and collected efficiently

2. **Expenditure increases**

- **Electricity bulk purchases** have been increased by 5.7%
- **Salaries and allowance -** The Salary Wage Collective Agreement for period 01 July 2018 to June 2020 has come to an end therefore the municipality have been increased the salary bill by 2.8% looking at the municipal financial constraints

The following are general contributory factors for the increase in levels of rates and service charges:

- The cost of bulk purchases.
- Cost of the social package to indigents.

The cost pressures of the electricity bulk purchases tariffs continue to grow faster than the inflation rate. Given that these tariff increases are determined by the external bodies; the impacts they have on the municipality's tariff are largely outside the control of the Municipality. Furthermore, the adverse impacts of the current economic climate coupled with unfavourable external pressures on services, make tariff increases higher than the CPI levels inevitable.

Indigent subsidies

The Musina Local Municipality continuously affirms the commitment of pushing back the frontiers of poverty and the adverse social and economic realities. As a result, thereof, social relief will be provided to the elderly, indigent child-headed families and registered indigent's households.

Provision is made in the operating budget for the subsidizing of indigent households. This subsidy includes a free 6Kl of water, 55 units of electricity, a 100% subsidy for refuse removal and sewerage charges. A 100% rebate on assessment rates will also be given for Indigent households. The subsidy allowed, exceeds the National norm and stretches the affordability threshold of the municipality.

To qualify as indigents, the household income must not exceed R3 500, the policy is reviewed to also cater for the child headed families and the qualifying people with disability.

The municipality further grants 80% rebates to owners of residential properties who depend on pensions or social grants provided the household income does not exceed R8 300.

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

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

- National Treasury's guidelines ;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 85 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Energy Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to electricity;
- 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

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

In view of the aforementioned, the following tables are a consolidated overview of the 2021/2022medium-term Revenue and Expenditure Framework.

Revenue by Source

LIM341 Musina - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 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 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Revenue By Source											
Property rates	2	15,328	16,640	21,257	21,413	21,413	21,413	15,916	22,698	23,696	24,766
Service charges - electricity revenue	2	89,393	114,302	136,766	164,616	164,616	164,616	84,142	174,493	182,071	190,265
Service charges - water revenue	2	30,900	–	–	–	–	–	20,403	–	–	–
Service charges - sanitation revenue	2	1,076	–	(0)	–	–	–	703	–	–	–
Service charges - refuse revenue	2	11,645	11,890	12,885	13,804	13,804	13,804	7,961	14,632	15,276	15,963
Rental of facilities and equipment		46	17	3	630	630	630	3	668	697	729
Interest earned - external investments		–	–	–	1,174	3,000	3,000	–	1,244	1,299	1,358
Interest earned - outstanding debtors		454	1,976	2,933	1,314	1,314	1,314	14,562	3,180	3,320	3,469
Dividends received		1,210	870	902	–	–	–	659	–	–	–
Fines, penalties and forfeits		6,781	7,983	4,970	3,091	3,091	3,091	1,710	3,276	3,421	3,575
Licences and permits		–	–	2,470	5,197	5,197	5,197	214	5,509	5,751	6,010
Agency services		–	–	–	–			–	–	–	–
Transfers and subsidies		140,595	132,882	150,242	162,512	195,305	195,305	196,070	174,429	187,781	190,783
Other revenue	2	7,405	6,740	10,240	5,459	13,319	13,319	3,626	13,731	14,296	14,911
Gains		–	838	2,445	5,371	5,371	5,371	–	23,693	24,736	25,849
Total Revenue (excluding capital transfers and contributions)		**304,831**	**294,137**	**345,114**	**384,580**	**427,060**	**427,060**	**345,968**	**437,554**	**462,345**	**477,677**

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

Revenue generated from rates, services charges and operational grants forms a significant percentage of the revenue basket for the Municipality. Service charges revenues comprise of 43% of the total revenue mix. In the 2019/20 financial year, revenue from services charges totalled R149 651 million. This increases to R189 125 million, R197 447 million and R206 331 million in the respective financial years 2021/22 of the MTREF. This growth can be mainly attributed to the increased in sale of electricity that adds to revenue mix, which in turn is due to rapid increases in the Eskom tariffs. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in MBRR SA1.

Operating Grants & Subsidies are the second largest revenue source totalling 39.86 per cent in 2021/2022. Property rates are the third largest revenue source totalling 6.2per cent or R21 257 million rand in 2020/21 and increases to R22 698 million by 2021/22.

Gains on PPE has been budgeted at R23 million with a plan to sell to 500 sites to DeBeers for development of new township.

Expenditure by Type

Description	Ref	2017/18	2018/19	2019/20	Current year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Expenditure By Type											
Employee related costs	2	160,588	135,082	139,571	154,151	154,154	154,154	97,894	158,392	166,281	172,803
Remuneration of councillors		9,898	10,225	10,624	11,586	11,586	11,586	6,986	12,822	12,822	13,398
Debt impairment	3	3,402	7,487	35,053	7,857	7,857	7,857	–	8,325	8,692	9,083
Depreciation & asset impairment	2	28,134	31,508	34,843	32,325	32,325	32,325	–	34,265	35,772	37,382
Finance charges		2,278	1,747	6,461	1,676	1,676	1,676	–	1,777	1,855	1,938
Bulk purchases - electricity	2	83,309	114,063	110,277	110,803	122,404	122,404	31,426	129,748	135,457	141,533
Inventory consumed	8	9,369	4,619	3,466	7,938	7,938	7,938	881	8,414	8,785	9,180
Contracted services		48,818	23,384	27,499	22,464	40,346	40,346	17,274	37,767	38,509	41,161
Transfers and subsidies		–	3,857	3,833	5,378	5,378	5,378	3,519	4,073	6,340	6,625
Other expenditure	4, 5	58,073	26,652	26,683	25,133	32,896	32,896	15,078	34,533	33,965	35,554
Losses		–	61	(0)	–	–	–	–	–	–	–
Total Expenditure		**403,869**	**358,685**	**398,311**	**379,312**	**416,560**	**416,560**	**173,058**	**430,116**	**448,477**	**468,658**

The Municipality's expenditure framework for the 2021/22 draft budget and MTREF is informed by the following:

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

The following table is a high level summary of the 2021/22 budget and MTREF (classified per main type of operating expenditure):
The budget allocation for **employee related costs** for the 2021/22 financial year totals R158 403 million, Salary increases have been factored into this budget at a percentage increase of 2.8 per cent for the 2021/22 for the MTREF.

The cost associated with the **remuneration of councillors** has increased by 4% as 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 Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate and the Debt Write-off Policy of the Municipality. For the 2021/22 financial year this amount had to significantly increase to R8.3 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for **depreciation and asset impairment** has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset

consumption. Budget appropriations in this regard total R34, 2 million for the 2021/22 financial and equates to 9.9 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing. Finance charges is budgeted at R1.7 Million for servicing the loan debt with DBSA Bi annually.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. Bulk purchases make up 30 percent (R129.748 million) of operating expenditure.

A payment plan has been entered with **ESKOM** in respect of outstanding debt and an amount of **R10 million** will be paid in 3 instalments as and when we received Equitable Share i.e. July 2021, December 2021 and March 2022.(as indicated on table SA30)

The budgeted expenditure on **Repairs and Maintenance** is at 7% of the PPE which is in line with National Treasury requirement is set at least 8% per circular 55 of MFMA.

Contracted services such as research and development have been identified as a cost saving area for the Municipality. Has been budgeted 37 million for the 2021/22 financial Year.

Transfer and grants at R6 Million for the purposes of free basic services.

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. Printing and stationary, subsistence and travelling, attending of conferences and workshops have significantly been reduced or limited to zero growth. Other expenditure makes up 7.5 percent (R 32 534 million) of operating expenditure which will further be described in the list attached below.

Other Expenditure On Schedule A4 & SA1	Draft Budget
Advertising	332,032.98
External Auditors	3,841,890.84
Commission Prepaid Electricity (Cigicell)	1,668,423.99
Operating Leases: Community Assets	14,734.00
Bank charges	490,439.54
Bursaries and Learnership	289,254.58
Entertainment	26,174.41
Fuel and oil	1,898,656.30
Insurance	6,162,806.31
Workmen's Compensation Fund	600,000.00
Licence fees - vehicles	60,802.88
Licence fees - computers	1,707,828.79
Mayor's Car wash	816.20
Mayors responsibility	66,850.19
Registration and Membership fees(Salga)	1,680,162.73
Printing and stationery	381,889.75
Communication: Postage/Stamps/Franking Machines	297,298.26
Skills development levies	1,248,707.71
Salary Clearing Control	332,260.59
Seminars Conferences Workshops and Events: National	301,763.58
Signage	250,000.00
Telephone cost and bulk SMS	1,811,287.16
Uniform	2,002,341.96
Conference and Convention Costs	18,974.00
Travel and subsistence	5,154,620.46
Ward Committe stipends	1,578,775.36
Municipal Activities	314,947.41
	32,533,740
Contractors,Consultants and professional and outsourced Services	
Valuation costs and Township Establishment	2,941,178.95
Business and Advisory: Quality Control	3,529,123.56
Accounting and Auditing	1,391,440.50
Dumping Site	6,522,049.51
Safeguard and Security	9,000,000.00
Legal Advice and Litigation	1,536,579.98
Business and Financial Management	2,393,934.37
Drivers Licence Cards	329,343.88
Burial services	53,559.60
Maintenance of vehicles	1,017,861.17
Repairs and Maintenance - Municipal Buildings	57,670.00
Consultation Fees	1,225,394.70
Contractors: Maintenance of Equipment	4,439,091.24
Catering	298,791.99
Medical examination	3,030,740.56
	37,766,760

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

LIM341 Musina - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		114,522	126,955	146,421	146,421	146,421	162,512	174,429	187,781	190,783
Local Government Equitable Share		104,327	124,015	142,917	142,917	142,917	158,173			
Local Government Equitable Share		1,900	1,900	2,365	2,365	2,365	2,700	169,864	184,781	187,783
Finance Management								2,850	3,000	3,000
EPWP Incentive		1,013	1,040	1,139	1,139	1,139	1,639	1,715		
		5,000								
		2,282								
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	114,522	126,955	146,421	146,421	146,421	162,512	174,429	187,781	190,783
Capital Transfers and Grants										
National Government:		38,377	23,659	39,016	39,016	39,016	58,843	36,988	41,713	44,040
Municipal Infrastructure Grant (MIG)		27,262	18,999	29,016	29,016	29,016	58,843	36,988	32,713	34,040
				–	–	–				
				–	–	–				
				–	–	–				
				–	–	–				
INEP		11,115	4,660	10,000	10,000	10,000			9,000	10,000
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Capital Transfers and Grants	5	38,377	23,659	39,016	39,016	39,016	58,843	36,988	41,713	44,040
TOTAL RECEIPTS OF TRANSFERS & GRANTS		152,899	150,614	185,437	185,437	185,437	221,355	211,417	229,494	234,823

Funding of Operating Budget

Funding is obtained from various sources, the major sources being service charges such as electricity, refuse collection, property rates, grants and subsidies received from National government.

Grant Allocations

Municipalities play a critical role in furthering government's objective of providing services to all. Cities are also driving South Africa's growth and development. However, to play these roles, cities need to be supported and funded. Local Government conditional grants are being reformed to

provide targeted support to different types of municipalities. The following projected grant allocations to the municipality in terms of the 2021/22 Division of Revenue Bill have been included in this medium term budget.

Operating Grants are: Equitable Share amounting to R169 864 million, Extended Public Works Programme amounting to R1 715 million, and Finance Management Grant amounting to R 2 850 million.

CAPITAL BUDGET

Vote Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 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 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Capital Expenditure - Functional											
Governance and administration		2,944	44,006	44,211	5,269	10,469	10,469	10,469	7,967	3,000	–
Executive and council		1,223	43,884	43,884	–	–	–	–	–	–	–
Finance and administration		1,721	122	327	5,269	10,469	10,469	10,469	7,967	3,000	–
Internal audit		–	–	–	–	–	–	–	–	–	–
Community and public safety		(151)	15,701	19,367	11,000	11,000	11,000	11,000	2,500	19,500	–
Community and social services		(151)	15,701	19,367	6,000	6,000	6,000	6,000	2,500	19,500	–
Sport and recreation		(0)	(0)	(0)	5,000	5,000	5,000	5,000	–	–	–
Public safety		–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		18,967	15,701	19,367	33,843	27,215	27,215	27,215	34,488	13,213	34,040
Planning and development		18,967	15,701	19,367	33,843	27,215	27,215	27,215	17,538	13,213	34,040
Road transport		–	–	–	–	–	–	–	16,950	–	–
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		4,791	2,446	5,517	–	–	–	–	–	9,000	10,000
Energy sources		4,791	2,446	4,623	–	–	–	–	–	9,000	10,000
Water management		–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	894	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3	26,551	77,854	88,462	50,112	48,684	48,684	48,684	44,955	44,713	44,040
Funded by:											
National Government		23,607	15,701	20,261	33,843	38,215	38,215	38,215	36,988	41,713	44,040
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		–	2,446	4,623	–	–	–	–	–	–	–
Transfers recognised - capital	4	23,607	18,147	24,884	33,843	38,215	38,215	38,215	36,988	41,713	44,040
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		–	–	–	5,269	10,469	10,469	10,469	7,967	3,000	–
Total Capital Funding	7	23,607	18,147	24,884	39,112	48,684	48,684	48,684	44,955	44,713	44,040

The capital budget flows from the IDP process and contains information obtained from relevant stakeholders through extensive public participation processes as well as ward committee processes where applicable.

Capital expenditure is budgeted at R 36.988 million 2021/22.The capital budget continues to reflect consistent efforts to address backlogs in basic services and the renewal of the infrastructure of existing network services.
The following project will be covered with the above mention capital budget:

1. Nancefield Central Road
2. Nancefield Phase 6 &12 paved road
3. Construction of Bridge Tshivhongweni to Tshipale on the road that lead to Tshokotshoko.
4. Development of Nancefield grave yard
5. Construction of Tshikudini Community Hall

The funds available for capital expenditure from conditional grants for the following 3 years are R 36.9 million, R 32.7 million and R 34 million respectively.

BUDGETED CASH FLOW

LIM341 Musina - Table A7 Budgeted Cash Flows

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		15,223	16,640	21,257	21,413	21,413	21,413	21,413	22,192	23,191	24,258
Service charges		118,282	106,367	146,373	163,926	178,420	178,420	45,466	152,813	161,982	171,701
Other revenue		94,322	22,648	20,441	10,323	19,710	19,710	64,043	21,340	22,620	23,978
Transfers and Subsidies - Operational	1	116,676	126,288	166,743	162,512	184,374	184,374	3,580	174,429	184,895	195,988
Transfers and Subsidies - Capital	1	38,814	23,659	–	–	33,843	33,843	–	36,988	32,713	34,040
Interest		832	2,123	3,648	–	–	–	–	3,809	4,038	4,280
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(349,438)	(322,632)	(318,484)	79,753	79,753	79,753	79,753	(425,299)	(453,349)	(479,102)
Finance charges		(1,084)	(877)	(501)	–	–	–	–	(1,777)	(1,883)	(1,996)
Transfers and Grants	1	–	–	–	–	–	–	–	(4,073)	(4,317)	(4,576)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**33,627**	**(25,784)**	**39,477**	**437,927**	**517,513**	**517,513**	**214,254**	**(19,577)**	**(30,111)**	**(31,430)**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		5,740	19,875	(25,211)	1,646	1,646	1,646	1,646	26,320	33,736	35,849
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	(10,731)	(10,731)	(10,731)	(10,731)	–	–	–
Payments											
Capital assets		–	–	–	(39,112)	(39,112)	(39,112)	(39,112)	–	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		**5,740**	**19,875**	**(25,211)**	**(48,197)**	**(48,197)**	**(48,197)**	**(48,197)**	**26,320**	**33,736**	**35,849**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	337	(337)	–	–	–	–	(351)	(367)	(384)
Borrowing long term/refinancing		(7,382)	4,415	(2,668)	–	–	–	–	(2,785)	(2,911)	(3,045)
Increase (decrease) in consumer deposits		–	(15)	(47)	(4,704)	(4,612)	(4,612)	(4,612)	(49)	(51)	(54)
Payments											
Repayment of borrowing		–	–	–	–	–	–	–	(3,000)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(7,382)**	**4,737**	**(3,052)**	**(4,704)**	**(4,612)**	**(4,612)**	**(4,612)**	**(6,185)**	**(3,329)**	**(3,483)**
NET INCREASE/ (DECREASE) IN CASH HELD		**31,985**	**(1,172)**	**11,214**	**385,026**	**464,704**	**464,704**	**161,445**	**558**	**296**	**936**
Cash/cash equivalents at the year begin:	2	**1,199**	**2,625**	**1,453**	**12,667**	**12,667**	**12,667**	**12,667**	**12,667**	**13,225**	**13,520**
Cash/cash equivalents at the year end:	2	**33,184**	**1,453**	**12,667**	**397,693**	**477,371**	**477,371**	**174,112**	**13,225**	**13,520**	**14,456**

The municipality budgeted R169 585 million on property rates and service charges and is anticipation a collection rate of 85%. The municipality has budgeted R344 823 million for payment on suppliers and employees. The amount include the repayment of Eskom and Department of Transport debts. Provincial Treasury has advised the Municipality to include the 100% of payment of employees and suppliers in the Cash Flow statement but as indicated the Municipality is anticipating to pay R344 823 million of the budgeted amount as they feel it is unrealistic to pay 100% on suppliers and for employees as some budgeted vacant posts may not even be appointed.

The municipality doesn't anticipate to enter into any new borrowings for 2020/21 financial year however the municipality will continue with the repayment of the existing DBSA loan which is amounting to R2.7 paid bi annually.

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

It shows the expected level of cash inflow versus cash outflow that is likely to result from the implementation of the budget, and the cash that will be available at the year-end is amounting R1.6 Million.

BUDGETED FINANCIAL POSITION

LIM341 Musina - Table A6 Budgeted Financial Position

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
ASSETS											
Current assets											
Cash		24,297	12,184	12,667	3,183	6,069	6,069	27,554	13,225	13,820	14,456
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	–	–	–	70,097	70,097	70,097	271,480	80,489	85,318	90,437
Other debtors		199,129	192,102	244,721	–	–	–	62,716	–	–	–
Current portion of long-term receivables		44,804	60,396	50,336	–	–	–	–	52,551	54,915	57,441
Inventory	2	39,695	37,959	35,734	34,662	35,984	35,984	37,553	37,306	38,985	40,778
Total current assets		**307,925**	**302,642**	**343,458**	**107,941**	**112,150**	**112,150**	**399,303**	**183,571**	**193,039**	**203,113**
Non current assets											
Long-term receivables		–	–	-	–	–	–	–	–	–	–
Investments		–	–	10,731	10,731	10,731	10,731	10,731	11,203	11,707	12,246
Investment property		174,036	170,778	172,174	209,937	209,937	209,937	170,778	179,750	187,838	169,479
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	279,768	266,324	308,294	314,831	392,018	392,018	361,594	61,859	65,571	69,505
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		60	25	13	92	92	92	25	13	14	15
Other non-current assets		65	65	65	–	–	–	65	–	–	–
Total non current assets		**453,929**	**437,192**	**491,277**	**535,591**	**612,778**	**612,778**	**543,193**	**252,825**	**265,130**	**251,245**
TOTAL ASSETS		**761,854**	**739,834**	**834,735**	**643,532**	**724,928**	**724,928**	**942,496**	**436,396**	**458,168**	**454,357**
LIABILITIES											
Current liabilities											
Bank overdraft	1	114	55	–	–	–	–	19	–	–	–
Borrowing	4	337	0	3,198	–	–	–	309	3,339	3,489	3,649
Consumer deposits		4,645	4,688	4,768	5,489	5,489	5,489	4,612	497	5,201	5,441
Trade and other payables	4	500,079	521,200	372,997	72,164	72,164	72,164	397,243	73,808	78,236	82,931
Provisions		34,342	39,566	8,474	10,956	10,956	10,956	39,471	8,848	9,247	9,672
Total current liabilities		**539,517**	**565,509**	**389,437**	**88,609**	**88,609**	**88,609**	**441,654**	**86,492**	**96,173**	**101,693**
Non current liabilities											
Borrowing		10,617	6,202	6,410	2,726	2,726	2,726	6,202	6,692	6,993	7,315
Provisions		6,318	6,813	15,281	2,043	2,043	2,043	6,813	15,953	16,671	17,438
Total non current liabilities		**16,935**	**13,015**	**21,691**	**4,769**	**4,769**	**4,769**	**13,015**	**22,645**	**23,664**	**24,753**
TOTAL LIABILITIES		**556,452**	**578,524**	**411,128**	**93,378**	**93,378**	**93,378**	**454,669**	**109,137**	**119,837**	**126,446**
NET ASSETS	5	**205,402**	**161,310**	**423,607**	**550,154**	**631,550**	**631,550**	**487,827**	**327,259**	**338,331**	**327,912**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		256,530	206,754	423,608	551,476	421,111	421,111	345,057	442,246	462,147	483,406
Reserves	4	79	79	79	10,731	–	–	79	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**256,609**	**206,833**	**423,687**	**562,207**	**421,111**	**421,111**	**345,136**	**442,246**	**462,147**	**483,406**

The municipality financial positions shows a positive balance therefore the budget is funded.

Capital Infrastructure Grants Allocation for 2021/22 Financial Year

The capital budget is directly informed by the needs submitted by the community through the IDP process. The ability of the Municipality to deliver services depends greatly on its funding sources, own resources. For the 2021/22 financial year, the budgeted service delivery is summarised as follows:

LIM341 Musina - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
KPA 1 Provide and maintain civil & mechanical engeering services	1)roads maitanance.2)storm water maintenace.3)road maintanance.4)Routine/preven	A		25,409		13,508	13,508	13,508	13,508	2,500	44,713	44,040
KPA 2 Deeepen democracy and promote accountability	1)Communication strategy .2)Communication Forum.3) Media release (radio and	B		7,404		15,508	15,508	15,508	15,508	17,538		
KPA 3 Legal and secretariat services	1)New valluation roll and suplementary.2)Development Reviews and gazzeting of by-	C					96	77,283	77,283			
KPA 4 Ehance compliance with Legislation and improve financial viability	1)Unbinding of infrastructure assets.2)MSCOA Compliancea .3)Procure	D		1,250								
KPA 5 To create Conducive environment for sustainable Economic Growth	1)Local Economic Development.2)Spatial Planning	E		1,314	23,659	10,000	10,000	10,000	10,000	16,950		
KPA 6 To Initiate and improve the quantity of municipal infrastructure services	1)10 skip bins.2) 100 street bins.3)Landfill site Musina .4) heavy duty bman propelled	F		3,000						7,967		
		G										
		H										
		I										
		J										
		K										
		L										
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	38,377	23,659	39,016	39,112	116,299	116,299	44,955	44,713	44,040

2021/22-2023/2024 Service Delivery Impact of MTREF

To increase the number of household with access to basic services such as Water, Electricity, roads and Sanitation in predominantly rural areas while planning and implementing catalytic projects over the next few years which will create investment and employment opportunities, some of them will transform the town's landscape and growth patterns forever while cementing the Musina town.

Job creation through the EPWP program

The Expanded Public Works Programme (EPWP) is a Nation-Wide Government Programme aimed at drawing significant numbers of unemployed into productive work, so that, they increase their capacity to earn an income.

Job creation and skills development remain the key priorities of the South African Government. The Expanded Public Works Programme (EPWP) is a programme initiated by the South African Government aimed at creating 4.5 million work opportunities by 2014. This programme is implemented by all spheres of government, across four (4) defined sectors, namely the Infrastructure, Social, Non-State and Environment and Culture sectors. The Programme's overall coordinator is the National Department of Public Works (DPW), as mandated by Cabinet.

The persistently high rate of unemployment in South Africa is one of the most pressing socio-economic challenges facing government and Musina Local Municipality is not immune to these challenges. High youth unemployment in particular means, young people are not acquiring the skills or experience needed to drive the economy forward. Therefore, job creation and skills development will remain the key priority of Musina Local Municipality and Government in general.

The municipality implements its capital program through the EPWP programme to improve creation of job opportunities.

OVERVIEW OF ALIGNMENT OF BUDGET WITH IDP

Integrated Development Planning is a process through which municipalities prepare a strategic development plan which extends over a five-year period. The Integrated Development Plan (IDP) is a product of the IDP process. The IDP is the principal strategic planning instrument which guides and informs all planning, budgeting, management and decision-making processes in a municipality.

Integrated development planning necessitates the involvement of all relevant stakeholders. Musina municipality was able to:

- Identify its key development priorities;
- Formulate a clear vision, mission and values;
- Formulate appropriate strategies;

Develop the appropriate organizational structure and systems to realize the vision; and mission; and align resources with the development priorities.

All the planning within the Municipality should be guided by what the pillars want to achieve i.e.

- Economy;
- Environment;
- Governance;
- Living condition
- Mobility; and

- People.

2. KEY NATIONAL AND PROVINCIAL GUIDING DOCUMENTS

Section 24 (1) of the Municipal Systems Act 32 of 2000 requires that the planning undertaken by a municipality must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state so as to give effect to the principles of co-operative government contained in section 41 of the Constitution.
It must be noted that a variety of International, National and Provincial priorities and outcomes were considered during the strategic planning phase, namely: 2030 Goals for Sustainable Development, National Development Plan, Medium Term Strategic Framework (MTSF) 2014-2019 Priorities, Back to Basics, Limpopo Development Plan (LDP) 2015-2019 and the Local Government Manifesto 2016.

OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Municipal Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, to be updated on an annual basis. The main purpose of budget related policies is to govern and guide the budget process and inform the projections of the medium term.

The following are Final budget related policies which have been approved by Council, or have been reviewed /amended and / or are currently being reviewed / amended in line with National Guidelines and other legislation

Cash Management and Investment Policy

The objectives of the Investment Policy are: -to manage the investments of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens; that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and to gain the highest possible return on investments during periods when excess funds are not being used, without unnecessary risk.

Leave Policy

To ensure that employees know their entitlement with regard to the allocation of leave, the responsibility to apply for leave in the prescribed manner(s) and for good governance of leave in the Musina Local Municipality.

Integrated Customer Policy

The objective of this policy is to provide a policy framework for the circumstances under which deposit must be paid, the determination of the amount of the deposit that must be paid and the refund or forfeiture of deposit

Assets Management Policy

The objective of this policy is to ensure the effective and efficient control of the municipality's assets through proper recording of assets from authorisation to acquisition and to subsequent disposal; providing for safeguarding procedures, setting proper guidelines as to authorised utilisation and

prescribing for proper maintenance. To assist officials in understanding their legal and managerial responsibilities with regard to assets.

Budget and Virement Policy

- The budget and virement policy sets out the budgeting principles which Polokwane Municipality will follow in preparing each annual budget. The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act in terms of the planning, preparation and approval of the annual budgets.
- The policy shall apply to all the relevant parties within the Polokwane Municipality that are involved throughout the budget process.
- The policy shall establish and maintain procedures to ensure adherence to the IDP review and budget processes

Indigent and Social Assistance Policy

The objectives of this Policy are to: -

- Provide a framework within which the Municipality can exercise its executive and legislative authority with regard to the implementation of financial aid to indigent and poor households in respect of their municipal account;
- Determine the criteria for qualification of Indigent and poor households;
- Ensure that the criteria are applied correctly and fairly to all applicants;
- Allow the municipality to conduct in loco visits to the premises of applicants to verify the actual status of the household with respect to meeting the criteria on an indigent household.
- Allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies (financial aid in respect of the Municipal Services account)

Supply Chain Management Policy

The objective of the supply chain management policy is

- To give effect to the provisions of section 217 of the Constitution of the Republic of South Africa, 1996;
- To give effect to the provisions of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003)
- To give effect to the provisions of the Preferential Procurement Policy Act 5 of 2000 and regulations 2011
- To give effect to the Municipal Supply Chain Management Regulations

- The Broad Based Black Economic Empowerment Act 53 of 2003
- The prevention and combating of corruption Activities Act 12 of 2004.

Credit Control and Debt Collection Policy

- The objectives of Credit Control Policy are:
- To provide procedures and mechanisms to collect all the monies due and payable to the Municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community
- To limit risk levels by means of effective management tools.
- To provide for restrictions, limitations, termination of services for non-payment.
- The objective of Debt Collection Policy is:
- To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt

Tariff Policy

- To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
- To prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act.
- To give guidance to the Portfolio Committee for Finance regarding tariff proposals that must be submitted to Council annually during the budgetary process.
- To ensure that there is consistency in how the tariffs are applied throughout the Municipality.
- To ensure municipal services are financially sustainable, affordable and equitable.
- Determining cost effective tariff as far as possible.
- To ensure affordability of basic services to the community.

Property Rates Policy

The key objectives of the policy are to:

- ensure that all owners of rateable property are informed about their liability to pay assessment rates;
- specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates contemplated in section 8 of this policy and section 15 of the Act;

- set out the criteria to be applied by the Council if it increases rates and levies differential rates on different categories of property;
- provide for categories of public benefit organisations, approved in terms of Section 30(1) of the Income Tax Act, 1962 (Act no 58 of 1962) as amended, which ratepayers are eligible for exemptions, reductions and rebates and therefore may apply to the Council for relief from rates;
- recognise the state, organs of state and owners of public service infrastructure as property owners;
- not discourage the development of property;
- ensure that all persons liable for rates are treated equitably as required by the Act;
- determine the level of increases in rates; and
- Provide for exemption, rebates and reductions

Subsistence and Travel Policy

- Subject to the provisions of the standard Conditions of Services and any other Agreement with the Bargaining Council applicable to the Council of its employees, the objective of the policy is:
- To fairly compensate persons / employees representing the Council for essential additional expenses incurred by them in the execution of their official duties.
- To ensure uniformity in the payment of subsistence and traveling allowances.

RECOMMEND

1. That the draft budget of the Musina Local municipality for the financial year 2021/22 and the multi-year and single-year capital appropriations as set out in the following tables be approved and adopted:
1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4;
1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5
2. **The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:**

2.1 Budgeted Financial Position as contained in Table A6
2.2 Budgeted Cash Flows as contained in Table A7;
2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
2.4 Asset management as contained in Table A9; and
2.5 Basic service delivery measurement as contained in Table A10.

3. The Council of Musina Local Municipality, acting in terms of section 75A of the Government: Municipal Systems Act (Act 32 of 2000) approves and adopts as set out in the

Proposed Tariffs booklet:

3.1 The tariffs for property rates
3.2 The tariffs for waste services

4. **That the following budget related policies be approved for implementation in 2021/22;**

- Cash management and Investment Policy
- Leave Policy
- Integrated Customer Care Policy
- Asset Management Policy
- Loss and Claims Policy
- Budget and Virement Policy
- Performance Management System Policy (Organisational and Employee Management Policy)
- Indigent and Social Assistance Policy
- Supply chain management Policy
- Credit control and debt collection Policy
- Tariff Policy
- Property Rates Policy
- Subsistence and Travelling Policy

Part B Legislative Mandate

1. Legislative Mandate

Section 16 of Municipal Systems Act (32 of 2000) mandate municipalities to develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must for this purpose encourage, and create conditions for, the local community to participate in the affairs of the municipality, including in:

- The preparation, implementation and review of its Integrated Development Plan (IDP).
- The establishment, implementation and review of its Performance Management System(PMS);
- Monitoring and review of its performance, including the outcomes and impact of such performance;
- The preparation of its budget;
- Strategic decision relating to the provision of municipal services.

Section 152 of the Constitution (108 of 1996) provides objectives of local government. One of the objectives is to **encourage the involvement of communities and community organizations in the matters of local government.**

2021/22 FINAL IDP /Budget Public Participation Schedule

The dates for the meetings scheduled as follows:

BUDGET PROCESS

PLANNING ACTIVITY	TIME SCHEDULE
Approval of Budget time schedule	27 August 2020
Income Budget Submission	25/26 September 2020
Departmental Budget Submission (Budget and business Plans)	16 October 2020
Departmental Budget meeting with Municipal manager	13 November 2020
Budget meeting	4 March 2021
Tabling of first draft Budget, SDBIP (Service delivery Budget implementation plan)	24 March 2021
Provincial Treasury session on draft budget	
Upload budget on municipal website and SMS distribution for budget reviews and public input at satellite offices and municipal offices.	1 April 2021 -29 April 2021
Provincial Treasury budget engagements	May 2021
Tabling Final Budget, SDBIP	20 May 2021
Budget speech and Approval of Budget and SDBIP	End June 2021

Submission of approved budget to National Treasury, Provincial Treasury and Other Stakeholders	On or Before 14th June 2021