MUSINA MUNICIPALITY FINAL BUDGET NARRATIVE REPORT 2020/2021

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 Final Budget Speech by Her Worship Mayor of Musina, Cllr Mihloti Muhlope during the Council meeting held at Musina Municipality Council Chamber on: 12 June 2020

DEPARTMENTAL BUDGET BY MAJOR VOTE

Executive and Council	: R 66,139 million
Municipal Manager	: R 29,665 million
Financial Services	: R 32,224 million
Community Services	: R 58,762 million
Corporate Services	: R 26,868 million
Technical Services	: R 143,042 million
Planning and Development	: R 22, 612 million

GRAND TOTAL OF THE FINAL BUDGET: R 379 312 MILLION

OPERATING GRANT ARE AS FOLLOWS:

EPWP: R 1,639

Equitable share: R 158 173

Finance Management Grant: R 2,700

GRAND TOTAL OF THE OPREATING GRANT: R 162 512 MILLION

Council Resolution and Quality Certificate

See attached

MULTI-YEAR FINAL BUDGET 2020/2021 – 2021/2022 -2022/2023

Report of the Chief Financial Officer

Purpose

The purpose of the report is to table the Multi-year Final Budget 2020/2021 – 2021/2022 – 2022/2023 to Council for approval.

Background

The IDP/Budget Process Plan to review the 2020/21 IDP/Budget was adopted on 22 August 2019 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 annual budget for the 2020/2021, 2021/2022 and 2022/2023 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 30 days before the start of the budget year consider approval of the annual budget. Municipality before the start of that financial year.

This 2020/21 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 2020/21 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 2019/2020 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

- Bulk purchases – The municipality has paid Eskom about R78, 6 million in the first half of the financial year, R29, 7 million of the current account and R48, 8 million was towards the arrear debt, the arrear debt is now standing at about R105, 1 million.

The following are some of the SEVERITY MEASURES that will be applied to the 2020/21 medium term budgets, in order confirm to National Treasury cost containment guidelines.

- 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 2020/21 Final MTREF

Total Final budget for the 2020/21 financial year is R 384 581 million made up of an operating budget of R379 312 million and a capital budget of R33 843 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 13.7%.
- **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 8.1 % in line with National Treasury's inflation forecasts.
- **Salaries and allowances** have been increased by 6% subject to agreement at South African Local Government Bargaining Council.
- **Other Materials** and **Other expenses** will increase at rate CPIX of 4.9%

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.
- Salary increase with effect from 1 July 2018.

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 2020/2021 medium-term Revenue and Expenditure Framework.

Revenue by Source

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 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 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	17,026	15,223	16,640	20,277	20,277	20,277	20,277	21,413	22,441	23,518
Service charges - electricity revenue	2	97,174	109,122	114,437	139,466	145,588	145,588	145,588	164,616	173,106	182,120
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	14,278	8,994	11,890	17,908	13,072	13,072	13,072	13,804	14,225	14,906
Rental of facilities and equipment		1,141	563	270	597	597	597	597	630	660	692
Interest earned - external investments		1,404	832	870	1,119	1,119	1,119	1,119	1,174	1,230	1,289
Interest earned - outstanding debtors		3,014	–	1,253	1,100	2,900	2,900	2,900	1,314	1,377	1,443
Dividends received						–	–	–			
Fines, penalties and forfeits		2,447	1,303	2,927	2,115	2,115	2,115	2,115	3,091	3,239	3,395
Licences and permits		3,637	2,072	4,921	4,951	4,951	4,951	4,951	5,197	5,446	5,708
Agency services				–		–	–	–			
Transfers and subsidies		111,104	113,022	128,010	146,421	146,421	146,421	146,421	162,512	178,415	195,396
Other revenue	2	3,462	27,645	7,422	5,102	10,102	10,102	10,102	5,459	5,841	6,127
Gains				838		8,500	8,500	8,500	5,371	5,957	6,248
Total Revenue (excluding capital transfers and contributions)		**254,687**	**278,775**	**289,477**	**339,055**	**355,642**	**355,642**	**355,642**	**384,581**	**411,937**	**440,842**

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 46% of the total revenue mix. In the 2019/20 financial year, revenue from services charges totalled R158 660 million. This increases to R178 420 million, R187 330 million and R197 025 million in the respective financial years 2020/21 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 41.17 per cent in 2019/20 and increase to 42 per cent in 2020/21. Property rates are the third largest revenue source totalling 6 per cent or R20 277 million rand in 2019/20 and increases to R21 413 million by 2020/21.

Gains on PPE has been budgeted at R5.3 million with a plan to sell to 500 sites to DeBeers for development of new township.

Expenditure by Type

Expenditure By Type											
Employee related costs	2	115,172	143,628	135,089	154,685	145,685	145,685	145,685	154,154	165,239	173,336
Remuneration of councillors		8,522	9,898	10,225	11,140	11,140	11,140	11,140	11,586	12,049	12,531
Debt impairment	3	8,011	–	7,487	653	653	653	653	7,854	8,231	8,626
Depreciation & asset impairment	2	26,849	28,120	31,508	30,353	30,353	30,353	30,353	32,325	34,427	36,113
Finance charges		2,056	1,084	877	2,982	1,302	1,302	1,302	1,676	1,883	1,975
Bulk purchases	2	78,457	83,960	114,063	84,636	102,500	102,500	102,500	110,803	116,565	122,627
Other materials	8	7,111	8,777	1,843	7,455	7,455	7,455	7,455	7,938	8,456	8,870
Contracted services		8,274	14,406	23,384	19,164	27,732	27,732	27,732	22,464	30,853	32,365
Transfers and subsidies		7,220	4,026	3,857	4,859	4,859	4,859	4,859	5,378	5,964	6,256
Other expenditure	4, 5	29,820	51,647	30,292	23,129	23,129	23,129	23,129	25,134	22,749	32,356
Losses				61							
Total Expenditure		**291,492**	**345,546**	**358,685**	**339,055**	**354,807**	**354,807**	**354,807**	**379,312**	**406,415**	**435,054**
Surplus/(Deficit)		**(36,805)**	**(66,772)**	**(69,208)**	**0**	**835**	**835**	**835**	**5,269**	**5,522**	**5,787**

The Municipality's expenditure framework for the 2020/21 Final 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 2020/21 budget and MTREF (classified per main type of operating expenditure):
The budget allocation for **employee related costs** for the 2020/21 financial year totals R155 154 million, Salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2020/21 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 2020/21 financial year this amount had to significantly increase to R7.8 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 R32, 2 million for the 2020/21 financial and equates to 8.5 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 R1.6 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 29 percent (R110.8 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 2020, December 2020 and March 2021.(as indicated on table SA30)

The budgeted expenditure on **Repairs and Maintenance** is at 7.8% 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. In 2019/20 financial year budget was R 27,7million currently reduced to R 22.4 million for 2020/21.

Transfer and grants at R6.3 Million for the purposes of free basic services and R1 Million for Covid -19 expenses.

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 6.4 percent (R 24 134 million) of operating expenditure which will further be described in the list attached below.

Other Expenditure On Schedule A4 & SA1	2020/2021
Advertising	215,612.19
Audit fees	2,003,640.30
Bank charges	536,899.24
Bursaries	375,624.49
Conferences and delegations	160,349.61
Entertainment	643,839.74
Fuel and oil	1,280,397.58
Insurance	2,800,000.00
Licence fees - vehicles	1,034,208.37
Licence fees - computers	875,895.98
Membership fees	50,000.00
Postage	324,913.84
Printing and stationery	611,720.91
Skills development levies	1,152,915.92
Stock and materials	244,301.38
Salga	1,100,000.00
Telephone cost	1,500,000.00
Travel and subsistence	5,793,335.28
Municipal Activities	1,130,484.47
Interest late payment	800,000.00
Township Establishment	1,500,000.00
	24,134,139
Contractors,Consultants and professional and outsourced Services	
Valuation costs	2,052,844.00
Dumping Site	5,457,962.00
Safeguard and Security	6,176,536.00
Legal Advice and Litigation	1,269,067.00
Business and Financial Management	2,308,000.00
Medical examination	2,000,000.00
Uniform	2,000,000.00
COVID - 19 Expense	1,200,000.00
	22,464,409

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	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		**94,783**	**114,522**	**128,010**	**146,421**	**146,421**	**146,421**	**162,512**	**178,415**	**195,396**
Local Government Equitable Share										
Local Government Equitable Share		91,104	104,327	124,015	142,917	142,917	142,917	158,173	175,415	192,196
Finance Management		1,800	1,900	1,900	2,365	2,365	2,365	2,700	3,000	3,200
Municipal Systems Improvement				1,055						
EPWP Incentive		1,879	1,013	1,040	1,139	1,139	1,139	1,639		
Energy Efficiency and Demand Management			5,000							
Munic Demarcation transitional grant			2,282							
Total Operating Transfers and Grants	5	**94,783**	**114,522**	**128,010**	**146,421**	**146,421**	**146,421**	**162,512**	**178,415**	**195,396**
Capital Transfers and Grants										
National Government:		**39,414**	**38,377**	**23,659**	**39,016**	**39,016**	**39,016**	**33,843**	**31,078**	**39,713**
Municipal Infrastructure Grant (MIG)		39,414	27,262	18,999	29,016	29,016	29,016	33,843	31,078	32,713
					–	–	–			
					–	–	–			
					–	–	–			
					–	–	–			
Intergrated Electrification Programme			11,115	4,660	10,000	10,000	10,000			7,000
Total Capital Transfers and Grants	5	**39,414**	**38,377**	**23,659**	**39,016**	**39,016**	**39,016**	**33,843**	**31,078**	**39,713**
TOTAL RECEIPTS OF TRANSFERS & GRANTS		**134,197**	**152,899**	**151,669**	**185,437**	**185,437**	**185,437**	**196,355**	**209,493**	**235,109**

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 2020/21 Division of Revenue Bill have been included in this medium term budget.

Operating Grants are: Equitable Share amounting to R158 713 million, Extended Public Works Programme amounting to R1 639 million, and Finance Management Grant amounting to R 2 700 million.

CAPITAL BUDGET

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 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 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital Expenditure - Functional											
Governance and administration		–	–	–	–	–	–	–	5,269	5,522	5,787
Executive and council											
Finance and administration									5,269	5,522	5,787
Internal audit											
Community and public safety		11,360	11,115	–	15,508	15,508	15,508	15,508	11,000	12,000	12,588
Community and social services		6,432	7,000		8,508	8,508	8,508	8,508	6,000	7,000	7,343
Sport and recreation		4,928	4,115		7,000	7,000	7,000	7,000	5,000	5,000	5,245
Public safety											
Housing											
Health											
Economic and environmental services		21,271	13,601	18,999	13,508	13,508	13,508	13,508	22,843	19,078	20,125
Planning and development		21,271	8,808	18,999	13,508	13,508	13,508	13,508	22,843	19,078	20,125
Road transport			4,793								
Environmental protection											
Trading services		–	13,661	4,660	10,000	10,000	10,000	10,000	–	–	7,000
Energy sources			13,661	4,660	10,000	10,000	10,000	10,000			7,000
Water management											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	32,631	38,377	23,659	39,016	39,016	39,016	39,016	39,112	36,600	45,500
Funded by:											
National Government		32,631	38,377	23,659	39,016	39,016	39,016	39,016	33,843	31,078	39,713
Provincial Government											
District Municipality											
Transfers recognised - capital	4	32,631	38,377	23,659	39,016	39,016	39,016	39,016	33,843	31,078	39,713
Borrowing	6										
Internally generated funds									5,269	5,522	5,787
Total Capital Funding	7	32,631	38,377	23,659	39,016	39,016	39,016	39,016	39,112	36,600	45,500

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 33.8 million 2020/21.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. Sports Facility
2. Community hall
3. Road and storm water
4. Bridges

The funds available for capital expenditure from conditional grants for the following 3 years are R 33.8 billion, R 31.07 billion and R 39.7 million respectively.

BUDGETED CASH FLOW

LIM341 Musina - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		12,282	15,223	16,640	17,340	17,340	17,340	17,340	18,201	18,572	19,482
Service charges		105,732	118,282	106,367	125,899	125,899	125,899	125,899	151,657	144,142	151,205
Other revenue		124,948	94,322	22,648	23,539	23,539	23,539	23,539	25,145	25,760	24,385
Transfers and Subsidies - Operational	1	91,104	116,676	126,288	146,421	146,421	146,421	146,421	162,512	178,462	187,207
Transfers and Subsidies - Capital	1	39,414	38,814	23,659	39,016	39,016	39,016	39,016	33,843	31,078	39,713
Interest		532	832	2,123	1,775	1,775	1,775	1,775	2,115	2,032	2,132
Dividends									–	–	–
Payments											
Suppliers and employees		(334,494)	(349,438)	(322,632)	(301,984)	(303,716)	(303,716)	(303,716)	(344,823)	(351,632)	(367,415)
Finance charges		(2,056)	(1,084)	(877)	(2,982)	(1,250)	(1,250)	(1,250)	(1,676)	(1,882)	(1,974)
Transfers and Grants	1	(7,220)	(4,026)	–	(4,859)	(4,859)	(4,859)	(4,859)	(5,378)	(5,964)	(6,256)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**30,242**	**29,600**	**(25,784)**	**44,166**	**44,166**	**44,166**	**44,166**	**41,596**	**40,568**	**48,478**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			5,740	19,875					–	–	–
Decrease (increase) in non-current receivables					186	186	186	186	–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(25,120)	(26,532)		(39,016)	(39,016)	(39,016)	(39,016)	(39,112)	(36,600)	(45,500)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(25,120)**	**(20,792)**	**19,875**	**(38,830)**	**(38,830)**	**(38,830)**	**(38,830)**	**(39,112)**	**(36,600)**	**(45,500)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans				337					–	–	–
Borrowing long term/refinancing		(35)	(7,382)	4,415					–	–	–
Increase (decrease) in consumer deposits		192	–	(15)					199	213	223
Payments											
Repayment of borrowing		(4,865)	–		(5,126)	(5,126)	(5,126)	(5,126)	(2,726)	(2,917)	(3,060)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(4,708)**	**(7,382)**	**4,737**	**(5,126)**	**(5,126)**	**(5,126)**	**(5,126)**	**(2,527)**	**(2,704)**	**(2,836)**
NET INCREASE/ (DECREASE) IN CASH HELD		**414**	**1,426**	**(1,172)**	**210**	**210**	**210**	**210**	**(43)**	**1,265**	**142**
Cash/cash equivalents at the year begin:	2	**785**	**1,199**	**2,625**	**1,453**	**1,453**	**1,453**	**1,453**	**1,663**	**1,620**	**2,885**
Cash/cash equivalents at the year end:	2	**1,199**	**2,625**	**1,453**	**1,663**	**1,663**	**1,663**	**1,663**	**1,620**	**2,885**	**3,026**

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	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
ASSETS											
Current assets											
Cash		1,199	2,625	1,453	1,663	1,663	1,663	1,663	1,620	2,885	3,026
Call investment deposits	1										
Consumer debtors	1	9,597	9,904	22,260	13,869	13,869	13,869	13,869	14,632	15,656	16,423
Other debtors		186,601	179,801	203,925	48,289	63,604	63,604	63,604	70,945	75,911	79,631
Current portion of long-term receivables		25,853	25,605	33,967	28,693	28,693	28,693	28,693	30,271	32,390	33,977
Inventory	2	41,618	36,422	37,959	71,074	37,959	37,959	37,959	35,984	38,233	39,164
Total current assets		**264,867**	**254,356**	**299,566**	**163,588**	**145,788**	**145,788**	**145,788**	**153,452**	**165,075**	**172,222**
Non current assets											
Long-term receivables											
Investments		12,606	10,731	10,731	13,248	10,731	10,731	10,731	10,731	10,731	10,731
Investment property		175,731	174,035	170,778	204,790	200,580	200,580	200,580	209,937	225,333	236,374
Investment in Associate											
Property, plant and equipment	3	281,403	278,214	319,917	304,078	266,324	266,324	266,324	326,174	349,215	366,327
Biological											
Intangible		41	38	25	34	65	65	65	92	98	103
Other non-current assets		65	65	65	88	25	25	25	36	39	40
Total non current assets		**469,846**	**463,083**	**501,516**	**522,238**	**477,726**	**477,726**	**477,726**	**546,970**	**585,416**	**613,575**
TOTAL ASSETS		**734,713**	**717,440**	**801,082**	**685,826**	**623,514**	**623,514**	**623,514**	**700,422**	**750,491**	**785,797**
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	7,485	4,415	5,949	5,431	3,004	3,004	3,004	5,729	6,130	6,430
Consumer deposits		4,688	4,688	4,720	5,203	5,203	5,203	5,203	5,489	5,873	6,161
Trade and other payables	4	425,888	446,313	549,763	116,743	70,583	70,583	70,583	72,164	73,785	77,499
Provisions		9,357	3,557	1,049	10,385	4,390	4,390	4,390	10,956	11,723	12,297
Total current liabilities		**447,418**	**458,974**	**561,482**	**137,762**	**83,180**	**83,180**	**83,180**	**94,338**	**97,512**	**102,388**
Non current liabilities											
Borrowing		9,926	5,613	252	5,126	5,126	5,126	5,126	2,726	2,917	3,060
Provisions		20,760	20,784	22,412	1,937	1,937	1,937	1,937	2,043	2,186	2,293
Total non current liabilities		**30,686**	**26,397**	**22,665**	**7,063**	**7,063**	**7,063**	**7,063**	**4,769**	**5,103**	**5,353**
TOTAL LIABILITIES		**478,104**	**485,371**	**584,146**	**144,824**	**90,243**	**90,243**	**90,243**	**99,107**	**102,614**	**107,741**
NET ASSETS	5	**256,609**	**232,069**	**216,936**	**541,002**	**533,272**	**533,272**	**533,272**	**601,315**	**647,876**	**678,057**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		244,003	221,338	206,205	527,666	522,453	522,453	522,453	590,584	637,145	667,326
Reserves	4	12,606	10,731	10,731	13,336	10,819	10,819	10,819	10,731	10,731	10,731
TOTAL COMMUNITY WEALTH/EQUITY	5	**256,609**	**232,069**	**216,936**	**541,002**	**533,272**	**533,272**	**533,272**	**601,315**	**647,876**	**678,057**

The Municipality had a session with Provincial Treasury on the 5th of June 2020 on issues that affects the funding position of the budget. Provincial Treasury has recommended that we include the **R10. 7 million** of the bank guarantee as reserves to be backed by cash/ investments.

The municipality has included the **10.7 million** under reserves on both Table A6 and A8 as per recommendation.

Capital Infrastructure Grants Allocation for 2020/21 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 2020/21 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	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
KPA 1 Provide and maintain civil & mechanical engeering services	1)roads maitanance.2)storm water maintenace.3)road maintanance.4)Routine/preven	A		3,854	25,409		13,508	13,508	13,508	18,112	14,344	22,154
KPA 2 Deeepen democracy and promote accountability	1)Communication strategy .2)Communication Forum.3) Media release (radio and	B		25,216	7,404		15,508	15,508	15,508	11,000	12,000	12,588
KPA 3 Legal and secretariat services	1)New valluation roll and suplementary.2)Development Reviews and gazzeting of by-	C										
KPA 4 Ehance compliance with Legislation and improve financial viability	1)Unbinding of infrastructure assets.2)MSCOA Compliancea .3)Procure	D		3,561	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	10,256	10,759
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					–	–	
Allocations to other priorities			3									
Total Capital Expenditure			1	32,631	38,377	23,659	39,016	39,016	39,016	39,112	36,600	45,500

2020/21-2021/2022 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 Final budget of the Musina Local municipality for the financial year 2020/21 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 with effect from 2020 JULY: 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 2020/21;**

- 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.**

In line with the above-mentioned legislative mandate, Musina Local Municipality undertook the IDP/Budget review consultation process from the **02 April 2019 – 24 April 2020**.Musina municipality is made up of 12 wards,

For effective and efficient public participation process, the **2020/21 Final IDP/Budget** Public Consultation Process was conducted as reflected on the table below:

2020/21 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	30 August 2019
Income Budget Submission	26/27 September 2019
Departmental Budget Submission (Budget and business Plans)	17 October 2019
Departmental Budget meeting with Municipal manager	14 November 2019
Budget meeting	5 March 2020
Tabling of first draft Budget, SDBIP (Service delivery Budget implementation plan)	20-21 March 2020 Any open day for Council meeting
Public Participation Budget period all wards	2 April 2020 -24 April 2020
Provincial Treasury budget engagements	May 2020
Tabling final draft Budget, SDBIP	22 May 2020
Budget speech and Approval of Budget and SDBIP	End June 2020
Submission of approved budget to National Treasury, Provincial Treasury and Other Stakeholders	On or Before 12th June 2020

The Mayor together with the Members of Mayoral Committee and Management team convened consultation meetings with communities and stakeholders in all wards as indicated above. In all the Meetings, the municipality presented the progress on previous financial year projects **2019/20** which was then followed by presentation of new projects and their budgets. Proposed tariffs increases were also presented to the community for their inputs and comments in all the wards. The needs of the community are in order of priority. The following are the reviewed top three priority needs per ward: Municipal wards,

The following are the overall top 4 highlights in terms of Priority in all the Municipal wards

1. Tarred Roads and Storm Water Drainage
2. High mast (Apollo) lights
3. Electrification of Extensions
4. Community Halls