MUSINA MUNICIPALITY

ADJUSTMENT BUDGET 2016/2017

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ABBREVIATIONS

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.

1.1. Mayors Report

Final budget Speech by Her Worship Mayor of Musina, Cllr. Mihloti Muhlope during the Council Meeting held at Musina Municipality Council Chambers on 27 February 2017.

It is indeed a great honor and privilege for me to present this adjustment budget during this momentous occasion. The Adjustment budget I am presenting here today was prepared in line with our Integrated Development Plan and in terms of the Municipal Finance Management Act No 53 of 2003. The IDP and MFMA remain the cornerstone of every developmental and people friendly budget, a critical tool for effective governance and proper planning. After six month of performance assessment it was found that matters that were not considered in the pre-election Budget must find place in the Adjustment Budget.

We remain committed to the realization of our five Key Performance Areas which are:

- Good Governance and Public Participation
- Municipal Transformation and Organizational Development
- Basic Infrastructure and Service Delivery
- Local Economic Development and
- Municipal Financial Viability and Management

The 2009 ANC Manifesto has identified five priority areas to improve the living conditions of our people. These are:

- Creation of decent work and sustainable livelihood
- Education
- Health
- Rural development, Food Security and Land Reform
- The fight against crime and corruption

In his State of the Nation Address on 09th February 2017, President Jacob Zuma said the country's economy needs a major push forward. He reported that the government has made a significant progress in the implementation of the nine point plan to ignite growth and create jobs. The nine point plan include: Resolving the energy challenge, Revitalizing agriculture and the agro-processing value chain, Advancing beneficiation or adding value to our mineral wealth, More effective implementation of a higher impact Industrial Policy Action Plan, Encouraging private sector investment, Moderating workplace conflict, Unlocking the potential of SMMEs, cooperatives, township and rural enterprises, State reform and boosting the role of state owned companies, ICT infrastructure or broadband roll out, water, sanitation and transport infrastructure as well as Operation Phakisa aimed growing the ocean economy and other sectors.

The fact that we have been declared a provincial growth point is a clear indication that we are also making progress in the implementation of the nine point plan as outlined by the State President. The establishment of the Special Economic Zone (SEZ) which will create approximately 19 000 jobs also fits well in the president's nine point plan. This practically puts us on alert that we have to plan effectively if we really want to achieve our dream of becoming the REAL Gateway CITY to the rest of Africa.

We are striving towards a more integrated planning approach whereby we seamlessly integrate our IDP, budget and performance management system with one another while simultaneously aligning our planning to National and Provincial plans and frameworks, specifically the National Development Plan 2030. This approach necessitated a revision of our strategic objectives for the remainder of this IDP cycle.

As outlined by Premier Stanley Mathabatha during his State of the Province address on 26 February 2016, the Limpopo Development Plan identified Musina as one of the economic regions that has a significant potential to accelerate the industrialization process in the province. The Premier also announced another investment worth R38,8 billion for the establishment of a South African Energy Metallurgical Base Project in the Musina Special Economic Zone - one of the first in the country for that matter. This means that we will play a significant role in the achievement of the Limpopo Development Plan which is underpinned by 10 High-Level Development Targets to be attained by 2020.

Ladies and Gentlemen, this preliminary budget comes at a time when the world is faced with escalating food and fuel prices. These are all the effects of globalization and as a municipality, we are also part of this unpleasant situation.

Honorable Councilors, please allow me to thank the financial technocrats who compiled this Municipal Finance Management Act Compliant Draft Budget Document of our municipality as delegated by the Municipal Manager and the Chief Financial Officer.

I now have the pleasure to present to you an overview of the preliminary Budget Estimates for 2016 / 2017 financial year.

THE TOTAL TABLED BUDGET WAS	**R252 510 000**
NOW THE TOTAL ADJUSTED BUDGET IS AT	**R284 704 000**

Capital budget will be funded from MIG allocation of R35 814 million, R3 million for the integrated National Electrification Programme and R1.2Million that is Internal generated funds - **Totaling R40 064million.**

OPERATING GRANTS ARE AS FOLLOWS:

EPWP:	: R1 879 million
Equitable shares:	: R87 434 million
Finance Management Grant:	: R1 825 million
Municipal Demarcation Transitional Grant:	: R6 714 million
RELIEF GRANT from Provincial Treasury:	: R20 million
Total Adjusted Operating Grants	**: R117 825 million**

DEPARTMENTAL BUDGET BY MAJOR VOTE

	Original Budget	and Adjustment Budget
Executive and Council	: R 11 916 million	R61 895 million
Municipal Manager	: R 15 565 million	R21 156 million
Financial Services	: R 65 064 million	R26 698 million
Community Services	: R 42 957 million	R33 642 million
Technical Services	: R 89 379 million	R103 494 million
Planning and Development	:R 10 468 million	R23 151 million
Corporate Services	: R 17 161 million	R13 418 million

GRAND TOTAL BUDGET: R252 510 million to R283 454 million

Allow me to quickly highlight some of the projects we identified with our stakeholders for the new financial year. They are as follows: All of the listed projects for 2016/2017 were not adjusted as such they remain.

- Roads and storm water maintenance
- Construction of paved roads
- Construction of community walk-in center
- Development of residential settlements
- Development of Geographical Information System
- Development of CBD Regeneration Plan
- Formalization and demarcation of sites in villages

It is therefore my honor to move for the adoption of this adjustment budget by Council for implementation.

Thank you

1.2. COUNCIL RESOLUTION

See attached

1.3 EXECUTIVE SUMMARY

In terms of the legislative process, the IDP and Budget must be tabled to Council by no later than 90 days before the commencement of the new financial year for endorsement so that the public participation processes can commence in the following month. Thereafter the tabled budget with input from the role players must be considered by Council for final approval not later than 30 days before the new financial year.

The draft IDP and Budget was being put forward for tabling to Council as required by section 16 of the MFMA.

The following attachments are provided:

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A Reviewed Integrated Development Plan (IDP) see the Original Budget

SECTION TWO: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Annexure B Medium Term Revenue and Expenditure Framework – Complete Budget Document as per Budget and Reporting Regulations

SECTION THREE: SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

Annexure C Departmental Service Delivery Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP)

DISCUSSION

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

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

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

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

Section 28 of the MFMA dealing with the adjustment budgets and, inter alia, reads as follows:

1) *A municipality may revise as approved Annual Budget through an adjustments budgets.*

2) *An adjustment budget-*

   a) *must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the current year;*
   b) *may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for,*
   c) *may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;-*

6) *Municipal tax and tariffs may not be increased during a financial year except when required in terms of a FINANCIAL RECOVERY PLAN.*

PROCESS FOLLOWED FOR ANNUAL BUDGET SUBSEQUENTLY FLOWING TO MID YEAR BUDGET ASSESSMENT.

Background

- In terms of the Budget Schedule of Key Deadlines as approved by Council in August 2015, the draft IDP and Budget has to be tabled to Council in March 2016.
- The Draft IDP and Budget will thereafter be presented to stakeholders of the Musina Municipality, including the broader community, National and Provincial Departments, CBOs, NGOs, etc. for their respective input.
- The departments received budget compilation guidelines and templates to be submitted in support of their budget requests during September 2015.
- Departments duly complied and submitted their Operating and Capital Budget requests to the Finance department for consolidation during October 2015. Consolidation of the departmental input received and analysis of the requests took place from November 2015 to January 2016.
- Departments refined and set targets for their respective departmental plans which are included in the Draft IDP. The proposals contain results which departments will work towards achieving and to support the achievement of the programs contained in the Reviewed IDP for the 2016/17 financial year.
- Annexure B contains the detailed Adjustment budget of Musina Local Municipality for the MTREF period. It is compiled in line with the Budget Guideline set out by National Treasury. The template supplied by National Treasury was used and it is in the exact format as prescribed Schedule B version 2.8

Process followed to compile the Adjustment Budget for the 2016/17 period

The Budget Office was responsible for the consolidation of the in year budget submission to Provincial and National Treasuries. After consolidation of the budget requests the Capital and Operating Budget was submitted to both HOD meetings, Steering Committee, strategic planning session held on the 5th to the 7th of February 2017 and council meeting.

Various meetings took place and the adjustment budget requests were scrutinized in detail. The following factors affected the compilation of the draft budget:

- Evaluation of the capital budget submission by MIG. The entire purpose is to ensure that the adjustment budget is addressing the strategic goals set by Council as embedded in the prioritization model.
- The Mid-year performance of departments were also taken into consideration during the evaluation of the adjustment budgets.
- The assessment conducted during the quarterly Budget Review meetings of the Extended HOD meeting: Finance together with strategic departments affected the adjustment budget as tabled.

IDP REVIEW AND SDBIP PREPARATIONS

In terms of section 34 of the Municipal Systems Act, 32 of 2000, the council must annually review its Integrated Development Plan in terms of a predetermined process.

The review of the Integrated Development Plan (IDP) in terms of the Municipal Systems Act was guided and informed by the following:

- It must support and work towards achieving the Vision and Mission of Musina Local Municipality.
- Working towards the achievement of the Musina Local Municipality Growth goals and programs.
- Addressing the National Outcomes set by Parliament as well as the National Development Plan (NDP).
- Focus on basic service delivery in terms of the eradication of backlogs and the maintenance of existing infrastructure and ward priorities.
- Provincial plans and programs applicable to the specific. Budget allocations by the respective provincial sector departments to these projects should also be reflected as far as possible.

All departments were part of the process of reviewing the IDP and SDBIP in terms of the approved Steering Committee set dates.

The Economic Development and Planning Department conducted meetings with ward committees to get input for the review of IDP. Ward committees were consulted to obtain the priorities and need of the various ward committees. The proposals formulated in terms of the high level results which departments will work towards achieving to support the Growth Programs has been drafted. These still need further refinement in terms of detail targets to be reflected in the SDBIP.

IDP engaged meetings with each department during September 2015. This consisted of one-on-one engagement with Departments to discuss the Budget, SDBIP and finalize indicators and targets. The process also involves ensuring that Departmental outputs are aligned with national outcomes and the Growth Development Strategy

ADJUSTMENT BUDGET

The adjustment budget tabled was based on all the principles and guidelines as contained in the Medium Term Budget and the other budgeted related policies of Council and included in this report.

Operating Budget

The MTREF for the 2016/17 Multi-year Final and Adjustment budget, with comparative information is as follows:

	Budget Year 2016/17 Read '000	**Adjustment Budget Year 2016/17 Read '000**	**Budget year +1 2017/18 Read '000**	**Budget Year + 2 2018/19 Read '000**
Total Operating Revenue	252 510	284 704	291 903	313 009

	Budget Year 2016/17 Read '000	Adjustment Budget Year 2016/17 Read '000	Budget year +1 2017/18 Read '000	Budget Year + 2 2018/19 Read '000
Total Operating Expenditure	251 260	283 455	291 903	313 009
Surplus / (Deficit) for the Year	1 250	1 250	0	0
Total Capital Expenditure	40 064	40 064	29 637	31 164

Total operating **revenue and expenditure** has grown by 12.81% or **R32, 1 million** for the Adjustment Budget 2016/17 financial year when compared to the Original 2016/17 Budget. For the two outer years, operational revenue & expenditure is increasing with 6%, equating to a total revenue & expenditure growth of R 36, 5 million.

Highlights of the Budget

Economic Growth Rate

The Municipality is cognisant of the economic pressures that its customers are facing and are aiming to keep tariff increases as low as possible this year.

The compilation of the MTREF remains a huge challenge to balance the budget between the limited revenue resources available and the immense need to provide quality service delivery to our community. Tariff increases must be limited to be within the affordability levels of our community and must still promote economic growth to ensure financial sustainability

In terms of the National Treasury Budget Circular No 78 dated 15 December 2015, the economic growth rate is predicted at 1.7% for the 2016/17 financial year. The International Monetary Fund recently published their assessment of the SA economy and a growth rate of 0.7% is predicted. Taking local factors into consideration as well as the results in the mid-year report of Council the following growth rate is predicted for 2016/17:

The **inflation outlook** as set out in Circular No 78 issued on 15 December 2015 is set at **6.0**%.

Tariff Increases

It is proposed that the **property rate tariff** be increased by 6.5**%** for 2016/17, which is still in line with the tariff increase set in the current MTREF approved by Council.

It is indicated in Circular 78 of National Treasury that bulk purchases from Eskom should increase with 7.86%, but as a result of the fact that Eskom applied for a higher tariff increase to compensate for under recovery of revenue, the draft tariff has thus far been adjusted in accordance with the final recommendation by NERSA to be 7.86%

Refuse removal tariff increase was set at **6.5%** for all users. This is largely based on the increase of the main cost drivers of the service.

The following table reflects the multi-year tariff assumptions for the 2016/17 MTREF as discussed:

Revenue category	2016/17 proposed tariff increase	2017/18 proposed tariff increase	2018/19 proposed tariff increase
	%	%	%
Assessment Rates Income	6.5%	6.5%	7.0%
Electricity Sales	7.86%	8.0%	8.0%
Refuse Removal / Solid Waste Sales	6.5%	7%	7%

The financial sustainability of the 2016/17 MTREF is largely dependent on the collection level of billed income. Provision is made for a **collection level of 84%**. To achieve this collection, the Municipality will have to implement more robust credit control measures.

In terms of Council's social commitment to assist the poorer communities in Musina it is proposed to make no changes to the supply of free basic services and social contributions to identified households in MLM.

All residential owners will continue to receive assessment rate exemption on the value of their homes. All houses with a market value of below R 75 000.01 is exempted for assessment rates and market value above R75 000.01 the first R30 000 is exempted. Various other grants on assessment rates, such as pensioners' rebate, rebate to low income people, properties zoned for religious purposes, will continue in the new year.

Cognisance must be taken of the fact that the budget will in accordance with Council's resolution be tabled for Adoption May 2016. There are some factors that affected the draft budget before it is tabled for Council adoption in May 2016. The assessment by Provincial Treasury has to be considered therefore find its expression in the Final budget as Adopted by Council.

CAPITAL BUDGET

The **Capital Budget** of **R40 064 million** for 2016/17 is 116.6% more when compared to the 2015/16 Adjusted Budget. The increase is as a results on Musina municipality receiving 6 wards from the disestablished Mutale municipality

The Capital Budget is largely driven by projects emanating from the IDP and projects identified by the community as well as the backlog in services. A comprehensive backlog study was conducted and various components of backlog on infrastructure were analyzed, including access backlogs, technical backlogs, and growth and renewal backlogs

The evaluation of the project proposals was based on the following key criteria:

- Compliance with Draft Capital Projects from the IDP Review – PMU
- Compliance with Grant conditions placed on the Project plans

The Capital Budget will be funded as follows:

- **Other grant funding** - allocation of all the external funds as per the 2016 Division of Revenue Act (DoRA) and the Provincial gazette - to fund social projects that will not necessarily generate revenue.
- **Internal generated funds**- the municipality has own capital projects that will be funded by surplus on the budget amounting to R 1 250M

The following tables B5 and B5B provides a breakdown of budgeted capital expenditure by vote as attached schedule B.

NO PROPOSED POLICY CHANGES. Note that Chapter 4 28. (6) MFMA.Has not been implemented

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The entire set of Budget Related Policies can be viewed on the MUSINA LOCAL MUNICIPALITY website: http://www.musina.gov.za

It is required by legislation that amendments to all budget related policies must form part of the tabled budget as such they've been taken through Public Participation. The following budget related policies are included as Annexure D to this report:

LIST OF BUDGET RELATED POLICIES

The following is a list of all budget - related polices which have been reviewed with the Annual Budget has since not been reviewed for the process of adjustment.

1. Asset management policy;
2. Budget policy;
3. Cash management and investment policy;
4. Credit control policy;

5. Indigent policy;
6. Overtime policy;
7. Supply Chain Management policy;
8. Risk management policy;
9. Tariff policy; and
10. Property Rates Policy
11. Virement Policy

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

The tabling of the Adjustment Budget in February 2017 will ensure compliance with Section 28 of the MFMA.

COMMUNICATION IMPLICATIONS

Immediately after adoption by Council, the oversight and implementation process must be commenced with.

This will include the following:

- Documentation to be placed on the website
- Copies of all documentation to be made available at all libraries and pay points.

RECOMMENDATIONS

1. **That** the report regarding the Final Review of Integrated Development Plan and the Final Medium Term Revenue and Expenditure Framework for Musina Local Municipality for the 2016/2017 to 2018/2019 financial period **BE NOTED.**

2. **That** the Final Reviewed Integrated Development Plan and the Final Medium Term Revenue and Expenditure Framework for the 2016/2017 to 2018/2019 financial period, inclusive of Tariffs and budget related policies as contained in the Budget Document **BE NOTED** in terms of Section 16 of the Municipal Finance Management Act**.**

3. **That** the Final Reviewed Integrated Development Plan and the Final Medium Term Revenue and Expenditure Framework for the 2016/2017 to 2018/2019 financial period, inclusive of tariffs and final budget related policies as contained in the Budget Document **BE SUBJECTED** to a detailed review and community consultation process in terms of

Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process be done in accordance with Chapter 4 of the Municipal Systems Act.

The executive summary of MUSINA LOCAL MUNICIPALITY for the Adjustment Budget of 2016/17 has been quality assured by the following signatories.

CFO Signature…………………………………………………………………………….

Municipal Manager Signature…………………………………………………………...

1.4. Musina Local Municipality's Adjustment Operating Revenue Framework 2016/2017

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 our 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.

The Musina Local Municipality's revenue strategy is built around the following key components:

• National Treasury's guidelines and macroeconomic policy;
• Growth in the Town and continued economic development;

• Efficient revenue management, which aims to ensure an 83 % annual collection rate for property rates and other key service charges;

• Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA); @ 7.86%

• Achievement of full cost recovery of specific user charges especially in relation to trading services;

• Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;

• The Municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

• Increase ability to extend new services and recover costs;

• The Municipality's Indigent Policy and rendering of free basic services; and

• Tariff policies of the Municipality

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 distort the calculation of the operating surplus/deficit.
Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix.

Total revenue generated from rates and services charges R15.1 million in 2016/2017 Adjusted *Budget to R15.6 million in 2016/2017. This increase in growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, of 2016/17 which in turn is due to rapid increases in the Eskom tariffs for bulk electricity, and thus the increase of 7.86% for 2016/17 cannot be regarded as increase flowing from the high cost of electricity from previous years. Property rates is the second largest revenue source totaling R15million. The third largest sources is „other revenue" which consists of various items such as income received from permits and licenses, sale of sites, building plan fees, connection fees, and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.*
Operating grants and transfers totals R97,8 million in the Annual Budget 2016/17 financial year and adjusted to R117,8 million in 2016/17 the huge increase is as a result of us as Musina Municipality receiving the Relief Grant from Provincial Treasury amounting to R20 Million.

Note that the year-on-year growth for the 2016/17 financial year has stabilized but critical to service delivery allowing the Municipality steadily increase in the Adjustment Budget revenue and having set the Tariffs structure in the beginning of July 2016 that is pro-poor and investor's friendly.

Note: tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Town (Municipality).

Note: National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

Note: Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.
It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc.

The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. However tough it is the municipality is facing financial difficulties considering the number of creditors we owe v/s the amount of revenue generated, especially sectoral debt ie. Eskom, Department of Transport, labour and this flow has a negative impact on the assessment of our Budget, the Municipality adjustment budget was consulted on with provincial treasury and we worked mainly on trying the has a funded budget, which on current year status (remaining six month) it is funded but due to the enormous strain in our cash book, service previous year debts it remain very much critical hence the notion of unfunded annual budget

was raised by assessment by Mr. Mahaye of Provincial treasury, none the less critical to revenue collection the majority of services are funding their cost drivers in away.
Within this framework the Musina Local Municipality has undertaken the tariff setting process relating to service charges not to be changed because for this current year financial recovery plan has not been tabled in council.
Also to note.

- *Property rates - the municipality received more than budgeted for as a results of rates and taxes received in advance for Debeers mine.*
- *Traffic fines- the municipality received less than budgeted for and there is a slow pace in revenue collected*
- *Transfer and Grants – this has increased revenue as a result of grants received e.g. Relief Grant*

1.5. Musina Local Municipality's Adjustment Operating Expenditure Framework 2016/2017

The Musina Municipality's adjustment expenditure framework for the 2016/17 budget and MTREF is informed by the following:

• The asset policy and the repairs and maintenance plan;
• Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
• Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

The adjusted budget allocation for employee related costs for the 2016/17 financial year totals R 100 990 million, and R 9 011 million allocated considering the Upper limits and effects of after august elections and disestablishment of Mutale local.Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2016/17 financial year.

An annual increase of 6.5 per cent has been included in the two outer years of the MTREF. As part of the Musina Local Municipality cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

- *Employee related costs- Over spending as a results of payment of salaries for the disestablished municipality which is addressed in budget adjustment.*

- *Contracted services – payment of own contracted service provider due to cash flow challenges which increased our creditors.*
- *Other materials under spent.*
- *Over spending on general expenses contributed to major variance due to payment of Audit fees which includes fees for 2014/15 financial year and other provisions paid which was not budgeted for , debt repayment DRT , legal fees and annual show*
- ***Bulk purchase:***
- *Under spending as a result of cash flow to service Eskom debt*
- *Over spending on Repair and maintenance Plant and Equipment and Vehicles, their dependants is as an when need arises*

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Town's current infrastructure, the 2016/17 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by repairs and maintenance plan of the Musina Local Municipality, the budget for repair and maintenance has increased to R18.8m. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.6. Capital Expenditure

2016/17 MTREF capital budget per vote not Adjusted

Medium Term Revenue & Expenditure Framework Current Year 2016/17 has not been adjusted The capital budget increases from R17.9million in 2015/16 (February 2016 adjustments budget) to R40million in 2016/17M. This is an overall increase of 116.6% when measured against the latest 2016/17 budgetary provision.

National Treasury, in its MFMA circulars, has indicated that a minimum of 40% of a municipality's capital budget should be for renewal of existing assets as opposed to new infrastructure. In the municipality's proposed capital budget the renewal of existing assets equates to R38.8 million or 52% of the total 2016/17 capital budget, while new assets represents R17.9million or 47%. It is important to note that asset renewal represents the upgrading or replacement or extension of existing municipality owned assets, while new assets will result in an increase in the asset base of this municipality.

1.7. Overview Adjustment Budget Tables explanatory notes

The following pages in this section presents the 10 main budget tables as required in terms of Section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 draft budget and MTREF as approved by Council. Each table is accompanied by *explanatory notes* on the facing page.

Explanatory notes to MBRR Table B1 – Adjustment Budget Summary (Referred to Table B1 Adjustment budget 2016/2017)

1. Table B1 represents a high-level summation of the Musina municipality's Adjustment budget, providing a view that includes all major components, i.e. operating, capital, financial position, cash flow and MFMA funding compliance.

2. In essence it provides a synopsis of the amounts to be approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance and the municipality's commitment to eliminate basic service delivery backlogs.

3. Financial management reforms emphasizes the importance of funding for the municipal budget. This requires the simultaneous assessment of the financial performance, financial position and cash flow budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

a. The operating surplus/deficit (after total expenditure) is R1.2 million,R1.3 million and R1.5 million over the MTREF.

b. Capital expenditure is balanced by capital funding sources, of which:

i. Transfers recognized are reflected on the Financial Performance Budget.

ii. The municipality does not have borrowings to fund capital budget.

iii. The municipality does have internally generated funds to finance the purchase of mayoral vehicle due to the fact that the previous vehicle has reached its life span and it is expensive to maintenance and hired vehicle she was utilizing for services delivery was costing us in a range of R40K per month, it was only making send to purchase such an assets for her use and cash flow constraints that the municipality is facing have been considered in doing the aforementioned opportunity cost.

4. The cash-backing/surplus reconciliation shows that the liquidity position of the municipality is under pressure and consequently many of its obligations are not cash-backed. This placed the municipality in a very vulnerable financial position. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted MFMA Circular 70 regarding cost containment measures. This cannot be achieved in one financial year. But over the MTREF there will be progressive improvement in the level of cash-backing of obligations.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of FBS shows that the amount spent on FBS and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Explanatory notes to MBRR Table B2 (Referred to Table B2 Adjustment budget 2016/17 document) - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note that in Table B2B Expenditure standard on Mayor and Council has gone up compared to 2016/2017 Annual Budget.
3. Note that the Total Revenue in this table excludes capital revenues (transfers recognised – capital) and so does balance with the operating revenue shown on Table B4.
4. Note that as a general principle the revenues for Trading Services should exceed expenditures. The table highlights that this is the case for electricity, and the solid waste management (refuse removal) functions.
5. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Budget and Treasury Office.

Explanatory notes to MBRR Table B3 - Budgeted Financial Performance – (Referred to Table B3 Adjustment budget 2016/2017)

Table B3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the vote's operating surplus or deficit.

Amounting to R 40 Million consisting of MIG,INEP and surplus to cover own capital"mayoral vehicle"

Explanatory notes to MBRR Table B4 - Budgeted Financial Performance (revenue and expenditure) (Referred to Table B4 Adjustment budget 2016/2017)

Revenue generated from **rates and service charges** forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise 46.50% of the total revenue mix. In the 2016/17 financial year, revenue from rates and service charges totaled R117.4million in the income budget, however after adjustment budget it has since been increased to R122.3 million due to rates and taxed received in advance from Mining clients Debeers It increases to R129.3million and R140.3million in the respective outer years.
Property rates are the second largest revenue source totaling 5.9% of the total income budget or R15.6million.

Electricity is the biggest source of income and represents R88.8million or 35.4% of the total income budget in 2016/17 has since been increased to R92.8mil because of anticipated revenue derived from supplying the energy and the treatment of illegal connection and tempering of meters thus give us an estimated cost recovery or revenue generation based on the previous six month trends. Eskom repayment has been considerably highlighted in the mix of collecting.

Refuse removal as compared to 2015/2016 adjustment budget has gone down from R14.9million to R13.5million as a result of 100% grant in aid assistance for community in Ward 1 and also in ward 6 Harper and Campbell and looking on the fact that as a results of demarcation the municipality is going to inherit rural villages from Mutale which the municipality will be servicing by collecting waste, though there is a tariff increase of 6.5% that cut across other households and businesses. The refuse revenue service charge has thus been increased to a R13.9million to compensate for the loss from prior years and gains of the transition and amalgamation.

Interest earned from outstanding debtors has decreased as compared from 2016/2017 R2 million to R1.8million due to previous month performance thus indicated a decline or servicing of current accounts by consumers and settling their arrears at a later stage.

Interest earned from external investment has increased from R583 000 2016/2017 budget to R897 000 in 2016/2017 adjustment budget, because as and when we receive grants we do call account and earn interest on such a deal.
License and permits has decreased from R4.8 Million 2016/2017 Annual budget to R3.7 Million in 2016/2017 adjustment budget and this is as a results of municipality test station been not operational for some time due to construction and working on the achieving test stations set standards, there was a decline in services collections but however also trying to avoid over budgeting and exaggerated collections rate in the line item.

Other revenue which comprises of rezoning of sites, building plans and extra has decreased from R2.8 Million to R2.6 Million in 2016/2017 adjustment budget mainly because the trends was showing the performance to have declined exacerbated by slow economic situation affecting the consumers, inability to buy new stands and rezone that has an effect because of lack of available suitable land.

Operating grants and transfers totals R97.8million or 39% of total income budget in the 2016/17 financial year and moves to R117.8 million in the adjustment Budget 2016/17 due to the relive grant to be received of R20.Million from Provincial Treasury.

Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years. Employee related cost has increased as compared to 2016/2017 annual budget from R97.3 Million to R100.9 Million in 2016/2017 adjustment budget and this is as a result of annual salary % increase , critical vacancy position contribute to variance and the upper limits as approved by council and pre election situation of mutale employees which were not covered in the Budget as it went council in May

2016, because then we wouldn't be in apposition to assume the numbers to be transferred to Musina.

Management of the municipality has develop a system to manage overtime where in employees will no longer work overtime more than 40 hours which gives a savings and relief strain on the employee cost.

Bulk purchases significantly increased by, escalating from R66.million to R74.7 million. These increases can be attributed to the substantial massive increase in the cost of bulk electricity from Eskom.

Depreciation – the municipality only account for depreciation at year end, therefore the adequacy of the provision is reasonable

Other Expenditure has increased from R35.2 million to R49.6million in 2016/2017 adjustment budget which is made of Sec 10 of IDP development strategies, programs on page 358 of IDP internal operating cost also taking cognizance of actual year to date expenditure in the section 71 reports, majority items in the line items are priority items in terms of socio economic impact that they have when delivery such a service. I.e. The management has a plan to consider the item to self-fund like the annual show to break even, by seeking sponsorships and partnership with private and public sector major role players. We noted on the assessment of the annual budget and the mid-year assessment done, that the issues which were raised will be address in adjustment budget this narration seeks to achieve that,

Contracted services has increased from R10.7Million to R11.3Million due to the contracts envisages for adjustment 16/17 which are Electronic PMS, Prevention of fire system in the server, protective clothing, medical detection programme and security services which includes services the new embraced wards and satellite offices and this are existing contracts which are multi year.

Explanatory notes to MBRR Table B5 - Budgeted Capital Expenditure by vote, standard classification and funding source (Referred to Table B5 Adjustment budget 2016/2017)

1. Table B5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard

classification; and the funding sources necessary to fund the Capital Budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year Capital Budget appropriations. In relation to single-year appropriations for 2016/17, R40 064million has been allocated of the Capital Budget , refer to IDP for the listing of projects. This allocation reduced to R29.6million in 2017/18 and R31.1million in 2018/19 as per DORA 2016, the Capital programme is funded by grants and transfers from government (Municipal infrastructure grant).

3. The municipality does have internal generated funds amounting to R 1 250Million which is budgeted to procure Mayoral vehicle.

Explanatory notes to MBRR Table B6 - Budgeted Financial Position (Referred to Table B6 Adjustment budget 2016/2017)

1. Table MBRR B6 is consistent with international standards of good financial management practice, and improves councilors' and management's understanding of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents assets less liabilities as "accounting" community wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash, appear first.

3. MBRR Table SB3 – supporting detail to the statement of financial position is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:

- Call investments deposits.
- Consumer debtors.
- Property, plant and equipment.
- Trade and other payables.
- Provisions non-current.
- Changes in net assets.

 Reserves.

4. The municipal equivalent of equity is community wealth/equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the budgeted financial performance or the Capital Budget will inevitably impact on the budgeted financial position. For example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.
6. The municipality doesn't anticipate to enter into any new borrowings for 2016/2017 financial year however the municipality will continue to repayment of the existing borrowings which is amounting to R8.2 Million.

Explanatory notes to MBRR Table B7 - Budgeted Cash Flow Statement (Referred to Table B7 Adjustment budget 2016/2017)

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

2. It shows the expected level of cash 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 R1Million

3. The cash and cash equivalents increase because of healthy increases in operational activities due to implementations of various interventions, i.e. extensive debt collection drive and reduction in expenditure pattern

4. The municipality is anticipating that 84% of the budgeted revenue will be collected.

Explanatory notes to MBRR Table B8 – Cash-backed Reserves/Accumulated Surplus Reconciliation (Referred to Table A8 Final budget 2016/2017)

1. The cash-backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence, the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. The end objective of the medium-term framework is to ensure the budget is funded and aligned to Section 18 of the MFMA.
6. From the table it can be seen that the cash surplus is increasing over the years.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2016/17 MTREF and considering the requirements of Section 18 of the MFMA.
8. Cash and investments available increase to R9.3million in 2016/2017 and adjusted to R11.9M as a results of cash invested during the year.
9. The municipality current assets original budget of R110M adjusted to R114M and current liabilities original budget R107M and adjusted to R110M as a results this indicates that the municipality liabilities are more than the assets which results in municipality not able to meet some of its obligation.

Explanatory notes to MBRR Table B9 - Asset Management (Referred to Table A9 Final budget 2016/2017)

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40% of their Capital Budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. The municipality meets the 40% renewal requirement.

3. The repairs and maintenance is not met due to the Musina municipality having revalued its assets with the first time adoption of GRAP 17 and asset values are currently high. However, the R&M budget is increased to meet not only NT benchmark target of 8%, but to improve the service delivery to the community.
4. The percentage decrease from the current 5.9% in 2015/16 to 4.1% in 2016/17. This does not implicate a reduction in the repair and maintenance budget, but merely as a result that internal labour (which is included in the current year) are now excluded from the repair and maintenance budget of Council. This was done in order to align the repair and maintenance budget with the GRAP principles.

Explanatory notes to MBRR Table B10 - Basic Service Delivery Measurement (Referred to Table A10 Final budget 2016/2017)

1. It is anticipated that these FBS will cost the municipality R5.2million in 2016/17. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.
2. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
3. The municipality continues to make good progress with the eradication of backlogs:
4. The budget provides for 5271 households to be registered as indigent in 2016/17, and therefore entitled to receiving FBS and now include the 315 equaling Adjusted level to 5586 The level of FBS will have to be reviewed to cover the cost of additional indigents given the rapid rate of immigration to the municipality, especially by poor people seeking economic opportunities.

2.5. Overview of budget Assumptions

- The Adjustment budget for 2016/2017 was done in terms of MFMA and municipal budget reporting regulation.
- Adjustment Budget was prepared in an environment of uncertainty and assumptions had to be made about internal and external factors that could impact on the budget during the course of the financial year.
- We have also looked at the following factors
  (a) Economic climate
  (b) Poverty levels
  (c) Inflation
  (d) Service delivery cost increases

(e) Increase of staff costs and demands

The inflation rate forecasts as per MFMA circular no.78 and 79 issued by National Treasury has been used on the MTERF. However some tariffs are based on cost recovery. The method used on Capital Budget is zero based budgeting.

Revenue

- Revenue to be generated from property rates has increased to R15.6 million by 2016/2017 and remains a significant funding source for the municipality. The municipality is anticipating to collect 84 % of on all billed services.
- Other revenue like Tender document, building plans, clearance certificates, Hawkers licence, etc.
- Gains on disposal of PPE – the municipality is anticipating to sell sites with a rand value of R24 million in the 2016/17,the municipality has 122 sites available for sale
- Transfers recognized – operating includes the local government equitable share and other operating grants from national Government. The grants receipts from national government are growing rapidly over the budget year, however in 2016/2017 there has been a increase in operational grant due to new demarcation arrangements and also the adjusted figure of relieve grant of R20 MILLION from Provincial treasury. Operational grant alone has increased from R97 Million in 2015/2016 to R117.8Million in 2016/2017 financial year. Interest earned –external investment have increased from R583 000 in 2016/2017 and Adjustment Budget 2016/2017 to R897 000.
- Interest earned – outstanding debtors has decreased to R1.8million.

Expenditure

- The salaries and wages for 2016/2017 financial year was R97.3 million and it has increased to R 100.9 million for 2016/2017 financial year, the municipality has taken cognisance of actual year to date expenditure of R82Million and anticipate that the municipality will spend R97.3million, 6% annual salary increase has been taken into consideration , though there are vacant critical positions
- Contracted services has increased from R10.7 Million to R11.3Million due to the contracts envisages for 16/17 which are Electronic PMS, Prevention of fire system in the server, protective clothing, medical detection programme and security services both this contracts are multiyear contracts with an annual increases on prices

- It is the requirement of GRAP presentation in respect of assets. Depreciation has remained at R28.5 Million in 2016/2017.
- Repair and maintenance holds 8% of total budget amounting to R18.8Million , this will cater for maintenance of existing assets and new assets of the municipality, refer to table B9.

Surplus/(Deficit)

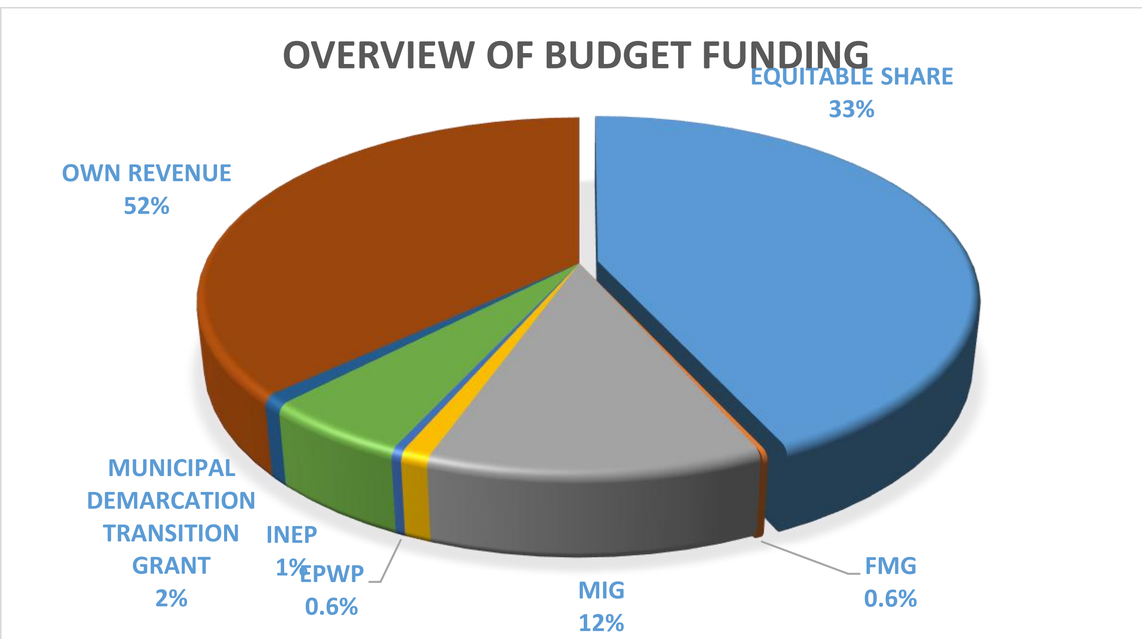
In the 2016/17, the municipality projected a surplus of R1 250 million in Table B4. The surplus will be utilised to fund internal own revenue project as per IDP , Procurement of mayoral vehicle.

2.6. Overview of budget funding

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer Table B8: Cash backed reserves/accumulated surplus reconciliation' and Supporting Table SA10: Funding measurement.



2.7. Expenditure on allocations and grant programmes

Expenditure for each grant for the MTREF period is summarised in the table below also in Table SB8,

LIM341 Musina - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		**34,497**	**37,933**	**42,767**	**51,587**	**50,346**	**50,346**	**100,852**	**103,470**	**109,838**
Local Government Equitable Share		31,447	34,393	38,966	47,735	46,494	46,494	87,434	99,288	107,938
Local Government Equitable Share										
Finance Management		1,250	1,650	1,800	1,800	1,800	1,800	1,825	1,900	1,900
Municipal Systems Improvement		800	890	934	940	940	940	–		
EPWP Incentive		1,000	1,000	1,067	1,112	1,112	1,112	1,879		
Integrated National Electrification Programme								3,000		
Munic Demarcation Transitional Grant								6,714	2,282	
Provincial Government:		–	–	–	–	–	–	–	–	–
EPWP										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total operating expenditure of Transfers and Grants		**34,497**	**37,933**	**42,767**	**51,587**	**50,346**	**50,346**	**100,852**	**103,470**	**109,838**
Capital expenditure of Transfers and Grants										
National Government:		**14,604**	**16,844**	**11,728**	**19,656**	**14,356**	**14,356**	**35,814**	**29,637**	**31,164**
Municipal Infrastructure Grant (MIG)		14,604	16,844	11,728	19,656	14,356	14,356	35,814	29,637	31,164
Intergrated Electrification Programme										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total capital expenditure of Transfers and Grants		**14,604**	**16,844**	**11,728**	**19,656**	**14,356**	**14,356**	**35,814**	**29,637**	**31,164**
TOTAL EXPENDITURE OF TRANSFERS AND GRANT		**49,101**	**54,777**	**54,495**	**71,243**	**64,702**	**64,702**	**136,666**	**133,107**	**141,002**

Allocation and grants made by municipality

- No allocations and grants made by the municipality

2.8. Councilor allowances and employees benefits

- The councilor allowances have been prepared in line with SALGA Gazette, while the employee's benefits were done considering 6% salary increase as per Circular No 79 as already detailed in the executive summary.

2.9. Monthly targets for revenue, expenditure and cash flows

Disclosure on monthly targets for revenue, expenditure and cash flow is made in the following MTREF tables:

(A) TABLE SB12 - Budgeted monthly revenue and expenditure (municipal vote)
(B) TABLE SB13 - Budgeted monthly revenue and expenditure (standard classification)
(C) TABLE SB16 - Budgeted monthly capital expenditure (municipal vote)
(D) TABLE SB17 - Budgeted monthly capital expenditure (standard classification)
(E) TABLE SB15 - Budgeted monthly cash flow

2.10. Adjustment budgets and services delivery and budget implementation plans – internal departments

- The monthly and quarterly service delivery targets and performance indicators will be revised to correspond with the 2016/2017adjustment budget.

2.11. Contracts having future budgetary implications

- In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12. Capital Expenditure Details

Capital Details are shown in the following MTREF Tables:

Supporting Tables SB16,SB17,SB18a and SB18b be noted.

2.13. Legislation Compliance Status

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

The adjustment budget preparation process

- The Mayor must lead the adjustment budget preparation process through a coordinated cycle of events that commences just after the Midyear Budget assessment and oversight report of the Provincial treasury has been done

Overview

- The MFMA requires a Council to adopt three-year capital and operating adjustment budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).
- These adjustment budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.
- The adjusted budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

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

1. in year reporting

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

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed 7 interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

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

4. Audit Committee

A district shared Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP of the municipality will be reviewed as part of this year's planning and budget process.

6. Annual Report

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

7. MFMA Training

The MFMA training module are currently being conducted in the municipality.

2.14. Other Supporting Documents

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. They consist of the following

(A) ANNEXURE A – BUDGET RELATED RESOLUTIONS
(B) ANNEXURE B - BUDGET RELATED SCHEDULES
(C) ANNEXURE C – MTREF TABLE B1-B10
(D) ANNEXURE D - MTREF SUPPORTING TABLES SB1 – SB20.

Annual budgets of municipal entities attached to the municipal annual budget

Musina Municipality has no Municipal entities

2.15. Municipal Managers Quality certificate

Attached