



MUSINA MUNICIPALITY TABLED BUDGET
NARRATIVE REPORT 2022/2023



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

LGSETA- Local Government Sector Education and Training Authority



MAYORS REPORT

See as a separate attachment Final Budget Speech by Her Worship Mayor of Musina, Cllr Nkhanedzeni Godfrey Mawela.

DEPARTMENTAL BUDGET BY MAJOR VOTE

Executive and Council	: R 90 113 million
Financial and Administration	: R 124 334 million
Community and Public Safety	: R 56 465 million
Economic and Environmental Services	: R 24 327 million
Trading Services	: R 150 802 million

GRAND TOTAL OF THE FINAL BUDGET: R 446 041 MILLION

OPERATING GRANT ARE AS FOLLOWS:

EPWP: R 1 390 Million

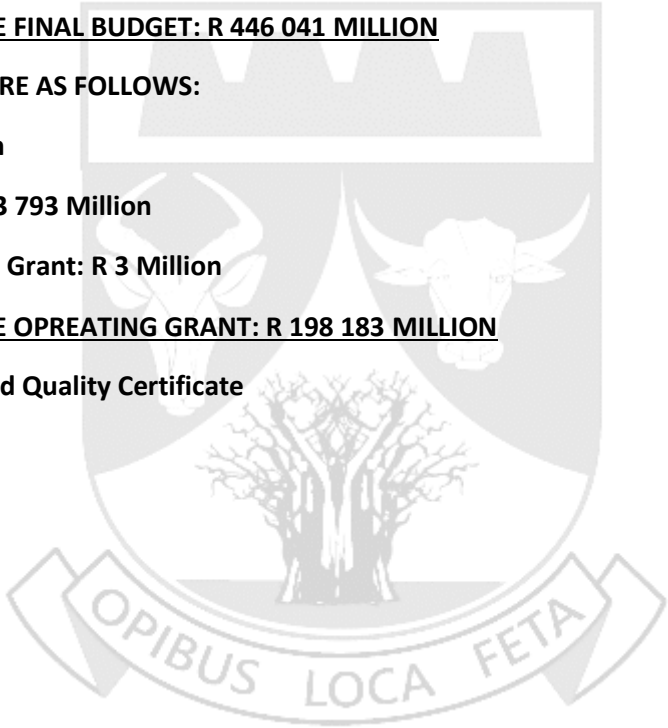
Equitable share: R 193 793 Million

Finance Management Grant: R 3 Million

GRAND TOTAL OF THE OPREATING GRANT: R 198 183 MILLION

Council Resolution and Quality Certificate

See attached



MULTI-YEAR FINAL BUDGET 2022/2023 – 2023/2024 -2024/2025

Report of the Chief Financial Officer

Purpose

The purpose of the report is to table the Multi-year Final Budget 2022/2023 – 2023/2024 – 2024/2025 to Council for approval.

Background

The IDP/Budget Process Plan to review the 2022/23 IDP/Budget was adopted on 27 August 2021 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 final budget for the 2022/2023 - 2023/2024 and 2024/2025 financial year at a council meeting at least thirty(30) day before the start of the budget year.

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

This 2022/23 MTREF Budget places emphasis on inclusive growth, as well as a progressive programme of capital expenditures. The MTREF Budget also relies on practice of good governance and a public ethic that values honesty and fairness. If we act together, on these principles, as public representatives, civil servants, business people, youth, workers and citizens, we can overcome the challenges of tough economic times and difficult adjustments. National Treasury's MFMA Circular No.98 was used to guide the compilation of the 2021/22 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

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

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

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

The main CHALLENGES experienced during the compilation of the 2022/2023 MTREF are as follows:

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

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

OVERVIEW OF THE 2022/23 Final MTREF

Total Draft budget for the 2022/23 financial year is R 446 040 million made up of an operating budget of R413 327 million and a capital budget of R32 713 million. The focus of this budget will be directed to the key areas in line with our promises to improve the lives of our people. Ensuring good governance in the City and ensuring the effective use of public funds and enhance accountability

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

1. Revenue: Tariff increases:

- **Electricity:** charges proposed to increase by 6.73%.
- **Waste Removal:** charges proposed to increase by 5.7 %.
- **Assessment rates:** charges proposed to increase by 5.7 %

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 3.8%
- **Salaries and allowance** - The Salary Wage Collective Agreement for period 01 July 2021 to 30 June 2024 dated 15 September 2021 approved by the Bargaining Committee of the Central council was used when budgeting for employee related costs for the 2022/23 budget year. The salary Bill was increased by 8% taking in consideration the projected average CPI and Appointment of Vacant Posts.

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

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

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

Indigent subsidies

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

Provision is made in the operating budget for the subsidizing of indigent households. This subsidy includes a free 6Kl of water, 55 units of electricity, a 100% subsidy for refuse removal and sewerage

charges. A 100% rebate on assessment rates will also be given for Indigent households. The subsidy allowed, exceeds the National norm and stretches the affordability threshold of the municipality.

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

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

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

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

- National Treasury's guidelines ;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 80 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 2022/2023 medium-term Revenue and Expenditure Framework.

Revenue by Source

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

Cm341 Indusna - Table A: Budgeted Financial Performance (Revenue and expenditure)											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 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 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source											
Property rates	2	16,640	21,257	24,787	22,698	22,698	22,698	16,516	25,814	26,650	27,849
Service charges - electricity revenue	2	114,302	136,766	143,707	174,389	174,389	174,389	93,225	162,728	169,657	177,071
Service charges - water revenue	2	-	-	-	-	-	-	18,214	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	698	-	-	-
Service charges - refuse revenue	2	11,890	12,885	12,420	14,632	14,632	14,632	9,675	14,844	15,497	16,195
Rental of facilities and equipment		17	3	25	691	691	691	8	558	583	488
Interest earned - external investments		-	-	-	1,244	1,244	1,244	-	527	550	574
Interest earned - outstanding debtors		1,976	2,933	3,377	3,180	6,157	6,157	18,440	2,966	3,097	3,236
Dividends received		870	902	494	-	-	-	103	-	-	-
Fines, penalties and forfeits		7,983	4,970	4,841	3,380	3,380	3,380	1,660	3,870	4,039	5,625
Licences and permits		-	2,470	186	5,509	5,509	5,509	130	2,436	2,546	2,546
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		132,882	150,242	196,394	174,720	174,720	174,720	115,046	199,191	218,979	241,353
Other revenue	2	6,740	10,240	9,470	8,843	13,287	13,287	1,380	38,108	38,993	35,249
Gains		838	2,445	1,810	23,693	23,693	23,693	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		294,138	345,115	397,511	432,979	440,401	440,401	275,095	451,043	480,590	510,186

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.

Property rates revenue comprise of 5.7% of the total budgeted revenue and was increased by 4% from the 2020/21 audited figure, the increase is based mainly on the development of new properties as well as improvement of properties due to rezoning.

Service charges revenues comprise of 39% of the total revenue mix. This increases to R177 573 million, R185 154 million and R 193 266 million in the respective financial years 2022/23 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.

Rental of Facilities and Equipment this revenue item comprises of revenue collected from rental of markets, stalls, Halls, advertisements bill boards and posters etc. therefore the Municipality has budget R 588 Thousand in the 2022/23 budget year.

Interest earned external Investments, the municipality has only 1 investment of R10.3 million for Eskom guarantee and has budget R 527 Thousand for 2022/23.

Interest Outstanding Debtors the municipality has budgeted R2.9 million and will implement strict collection measures to reduce the interest charges by implementing credit control and debt collection policy to reduce the debt book of the municipality

Fines the municipality has budget R3.8 million which is a slight increase from the R3.3 million budgeted in the 2021/22 financial year due the donation of a movable traffic truck that was donated by the Road Traffic Management Corporation that will assist with generating revenue.

Licence and Permits the 2020/21 outcome was R 2.2 million and the municipality increased this by 6% to R2.4million considering that a number of clients are renewing their Licence and applying for permits due to Covid adjusted level 1.

Operating Grants & Subsidies are the largest revenue source totalling 44 per cent of the budget in 2022/2023. The Municipality is scheduled to receive R 193 793 million for equitable share, R3 million for FMG, R1.3 million for EPWP and we also made provision for R1 million that we receive from LGSET

Other Revenue has been budgeted at R38 million for revenue received from Building plans, clearance certificates, Tender documents VAT claims, Handling fees , Proof of Residence and Sale of Stands with the value of R28 million, the plan is to sell to 500 sites to DeBeers for development of new township and the rest will be sold to the community.

Expenditure by Type

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 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 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Expenditure By Type											
Employee related costs	2	135,083	139,571	149,505	158,405	158,405	158,405	96,157	162,264	169,404	176,176
Remuneration of councillors		10,225	10,624	10,526	11,339	11,822	11,822	6,656	12,823	13,387	13,976
Debt impairment	3	7,487	30,832	30,798	8,325	8,325	8,325	–	38,307	39,992	42,792
Depreciation & asset impairment	2	31,508	34,843	30,139	34,265	34,265	34,265	–	27,942	29,172	31,485
Finance charges		1,747	6,850	2,682	1,777	1,777	1,777	15	–	–	–
Bulk purchases - electricity	2	114,063	110,277	116,844	129,748	129,748	129,748	27,875	121,518	126,227	138,762
Inventory consumed	8	4,613	3,466	3,767	8,414	8,414	8,414	963	2,992	3,125	4,265
Contracted services		23,384	27,491	23,716	37,767	41,347	41,347	21,044	38,078	41,753	44,632
Transfers and subsidies		3,857	3,833	4,689	6,073	6,073	6,073	3,575	–	–	–
Other expenditure	4, 5	26,652	26,677	32,777	32,533	32,533	32,533	17,342	42,115	47,968	51,126
Losses		61	–	–	–	–	–	–	–	–	–
Total Expenditure		358,680	394,465	405,443	428,646	432,709	432,709	173,627	446,038	471,028	503,213
Surplus/(Deficit)		(64,542)	(49,350)	(7,932)	4,334	7,692	7,692	101,468	5,004	9,562	6,973

The Municipality's expenditure framework for the 2022/23 Tabled 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 above table is a high level summary of the 2022/23 budget and MTREF (classified per main type of operating expenditure):

The budget allocation for **employee related costs** for the 2022/23 financial year totals R162 265 million, Salary increases have been factored into this budget at a percentage increase of 8 per cent for the 2022/23 for the MTREF also includes provision for appointment vacant posts.

The cost associated with the **remuneration of councillors** has increased by 8% and the increase 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 as well as the Vhembe District dept. For the 2022/23 financial year R38 million was budgeted. 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 R27 million for the 2022/23 financial and equates to 6.1 per cent of the total operating expenditure.

Finance charges consisted primarily for the repayment of interest on long-term borrow with DBSA the loan is now paid up.

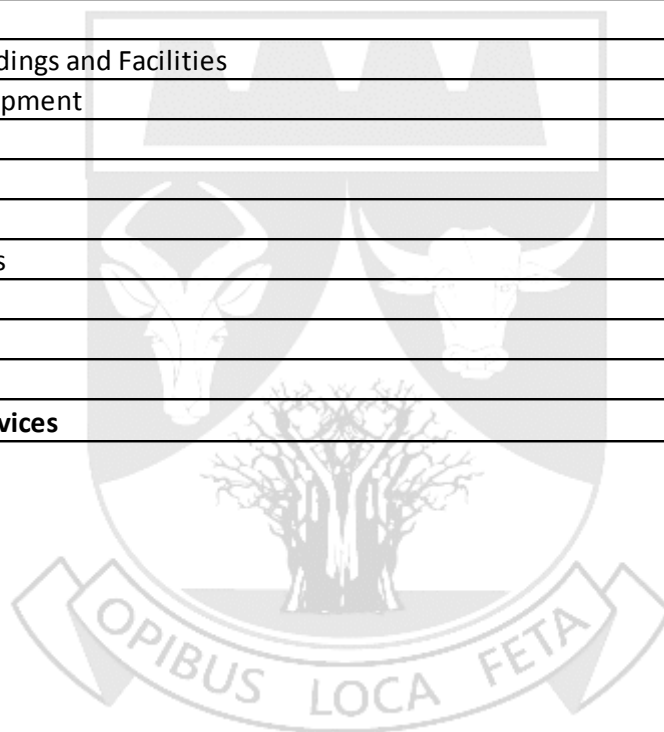
Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. Bulk purchases make up 27 percent (R121 518 million) of operating expenditure.

A payment plan 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 2022, December 2022 and March 2023 will continue until the debt is paid up. The dept is currently on R46.9 million and the municipality is still confident that the debt will be paid up by 2023.

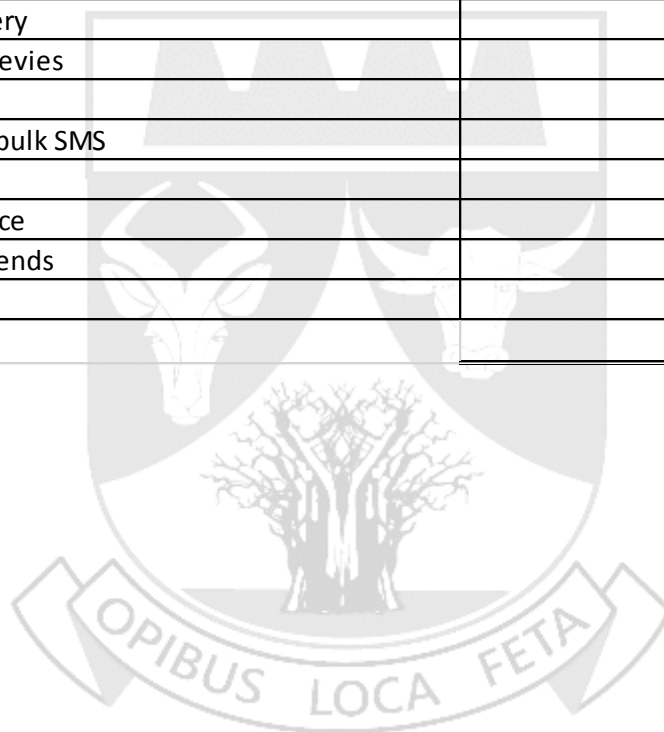
Contracted services such as research and development have been identified as a cost saving area for the Municipality. Has been budgeted 38 million for the 2022/23 financial Year. The table below will illustrate what is budgeted for this item. Security Services and Dumping site are the biggest expense.

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 9.4 percent (R 42 million) of operating expenditure which will further be described in the list attached below.

Contractors, Consultants and professional and outsourced Services	
Consultants	2022/23
Accounting and Auditing	726,705.00
Research and Advisory	63,526.00
Audit Committee	229,848.00
Consultants and Professional Fees	5,842,076.00
Medical Examinations	1,102,483.00
Occupational Health and Safety	129,251.00
Valuer and Assessors	2,307,829.00
Legal Advice and Litigation	926,009.00
Business and Financial Management	2,960,065.00
	14,287,792.00
Contractors	
Maintenance of Unspecified Assets	3,358,299.00
Catering Services	310,526.00
Maintenance of Buildings and Facilities	35,372.00
Maintenance of Equipment	231,352.00
	3,935,549.00
Outsourced Services	
Security Services	13,200,000.00
Drivers Licence Cards	334,961.00
Refuse Removal	6,119,295.00
Burial Services	200,000.00
	19,854,256.00
Total Contracted Services	38,077,597.00



Other Expenditure Breakdown	Draft Budget 2022/23
Advertising	813,834.00
External Auditors	4,304,729.00
Commission Prepaid Electricity (Cigicell)	2,062,095.00
Cleaning Service	4,606.00
Bank charges	459,407.00
Bursaries and Learnership	634,028.00
Entertainment	109,930.00
Fuel and oil	1,777,888.00
Insurance	9,097,053.00
Licence fees - vehicles	254,337.00
Licence fees - computers	3,276,810.00
Registration and Membership fees(Salga)	4,399,788.00
Computer Equipment	273,556.00
Printing and stationery	660,370.00
Skills development levies	1,022,216.00
Signage	5,720.00
Telephone cost and bulk SMS	2,897,629.00
Uniform	2,282,588.00
Travel and subsistence	5,571,121.00
Ward Committee stipends	1,567,526.00
Municipal Activities	639,898.00
	42,115,129



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	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		126,955	146,421	195,305	174,429	174,429	174,429	198,183	217,926	240,253
Local Government Equitable Share		124,015	142,917	190,966	169,864	169,864	169,864	193,793	213,536	235,863
Finance Management		1,900	2,365	2,700	2,850	2,850	2,850	3,000	3,000	3,000
EPWP Incentive		1,040	1,139	1,639	1,715	1,715	1,715	1,390	1,390	1,390
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	126,955	146,421	195,305	174,429	174,429	174,429	198,183	217,926	240,253
Capital Transfers and Grants										
National Government:		23,659	39,016	37,793	36,988	36,988	36,988	32,713	44,040	45,902
Municipal Infrastructure Grant (MIG)		18,999	29,016	37,793	36,988	36,988	36,988	32,713	34,040	35,453
			-							
			-							
			-							
INEP		4,660	10,000					-	10,000	10,449
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	23,659	39,016	37,793	36,988	36,988	36,988	32,713	44,040	45,902
TOTAL RECEIPTS OF TRANSFERS & GRANTS		150,614	185,437	233,098	211,417	211,417	211,417	230,896	261,966	286,155

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 2022/23 Division of Revenue Bill have been included in this medium term budget.

Operating Grants are: Equitable Share amounting to R193 793 million, Extended Public Works Programme amounting to R1 390 million, and Finance Management Grant amounting to R 3 million.

CAPITAL BUDGET

Vote Description R thousand	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Capital Expenditure - Functional											
Governance and administration		97,455	63,689	(1,925)	7,967	7,834	7,834	1,686	3,000	3,132	3,270
Executive and council		43,884	43,884	—	—	—	—	1,686	1,500	1,566	1,635
Finance and administration		53,571	19,805	(37,784)	7,967	7,834	7,834	—	1,500	1,566	1,635
Internal audit		—	—	—	—	—	—	—	—	—	—
Community and public safety		(151)	(151)	—	—	4,910	4,910	538	4,751	4,960	5,178
Community and social services		(151)	(151)	—	—	4,910	4,910	538	4,751	4,960	5,178
Sport and recreation		(0)	(0)	—	—	—	—	—	—	—	—
Public safety		—	—	—	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
Economic and environmental services		34,668	53,979	34,043	32,078	32,078	32,078	13,547	28,962	30,236	31,567
Planning and development		34,668	53,979	36,180	22,959	22,959	22,959	13,547	27,962	29,192	30,477
Road transport		—	—	(2,137)	9,119	9,119	9,119	—	1,000	1,044	1,090
Environmental protection		—	—	—	—	—	—	—	—	—	—
Trading services		16,036	52,120	23,095	—	—	—	399	1,000	11,044	11,539
Energy sources		16,036	20,783	1,906	—	—	—	399	1,000	11,044	11,539
Water management		—	—	—	—	—	—	—	—	—	—
Waste water management		—	894	(77)	—	—	—	—	—	—	—
Waste management		—	30,443	21,266	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—	—
Total Capital Expenditure - Functional	3	148,008	169,637	55,213	40,045	44,822	44,822	16,170	37,713	49,372	51,554
Funded by:											
National Government		39,308	91,985	55,073	32,078	36,988	36,988	14,085	32,713	44,152	46,104
Provincial Government		—	—	—	—	—	—	—	—	—	—
District Municipality		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (monetary allocations) (National / Provincial)		—	—	—	—	—	—	—	—	—	—
Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		11,246	15,992	3,717	—	—	—	—	—	—	—
Transfers recognised - capital	4	50,554	107,977	58,790	32,078	36,988	36,988	14,085	32,713	44,152	46,104
Borrowing	6	—	—	—	—	—	—	—	—	—	—
Internally generated funds		—	—	—	7,967	7,834	7,834	—	5,000	5,220	5,450
Total Capital Funding	7	50,554	107,977	58,790	40,045	44,822	44,822	14,085	37,713	49,372	51,554

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 32 713 million 2022/23. 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. Shakadza Multi-Purpose Centre
2. Nancefield Ext 9 & 10 paved road phase 2
3. Mabvete Community Hall
4. Development of Nancefield grave yard
5. Construction of Tshikudini Community Hall

The funds available for capital expenditure from conditional grants for the following 3 years are R 32.7 million, 44 million and R 45 million respectively.

CASH FLOW

LIM341 Musina - Table A7 Budgeted Cash Flows

Description		Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 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 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			–	–	–	–	18,158	18,158	–	23,486	24,250	23,020
Service charges			69,072	72,976	69,150	–	82,734	82,734	49,274	159,816	166,639	157,834
Other revenue			56,843	122,627	94,611	–	84,010	84,010	70,594	9,771	10,203	9,881
Transfers and Subsidies - Operational		1	75,280	48,489	3,943	–	173,005	173,005	128,080	196,191	215,979	238,145
Transfers and Subsidies - Capital		1	–	–	–	–	36,988	36,988	–	32,713	34,040	32,499
Interest			–	–	–	1,244	1,244	1,244	–	3,486	3,639	3,803
Dividends			–	–	–	–	–	–	–	–	–	–
Payments												
Suppliers and employees			(297,875)	(300,642)	(2,913)	–	(374,529)	(374,529)	(33,906)	(379,789)	(401,862)	(403,120)
Finance charges			(1,747)	(6,850)	–	–	(1,777)	(1,777)	–	–	–	–
Transfers and Grants		1	(388)	(388)	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES			(98,815)	(63,788)	164,791	1,244	19,833	19,833	214,042	45,674	52,888	62,062
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			1,054	1,221	1,936	–	1,717	1,717	1,877	–	–	–
Decrease (increase) in non-current receivables			–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments			–	–	–	–	–	–	–	–	–	–
Payments												
Capital assets			–	–	(32,061)	–	(44,822)	(44,822)	(10,631)	(37,713)	(49,372)	(48,128)
NET CASH FROM/(USED) INVESTING ACTIVITIES			1,054	1,221	(30,125)	–	(43,105)	(43,105)	(8,754)	(37,713)	(49,372)	(48,128)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing			–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits			–	–	26	–	–	–	138	–	–	–
Payments												
Repayment of borrowing			–	–	945	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES			–	–	971	–	–	–	138	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD			(97,761)	(62,567)	135,637	1,244	(23,272)	(23,272)	205,426	7,961	3,516	13,934
Cash/cash equivalents at the year begin:		2	–	–	23,214	–	22,867	22,867	22,867	12,473	20,434	23,950
Cash/cash equivalents at the year end:		2	(97,761)	(62,567)	158,851	1,244	(405)	(405)	228,293	20,434	23,950	37,884

The municipality budgeted R183 302 million on property rates and service charges and is anticipation a collection rate of 90%. The municipality has budgeted R379 789 million for payment on suppliers and employees. The amount include the repayment of Eskom and Department of Transport debts.

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 R20 Million.

FINANCIAL POSITION

LIM341 Musina - Table A6 Budgeted Financial Position

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousand											
ASSETS											
Current assets											
Cash	1	12,184	23,398	12,473	22,045	17,654	17,654	20,489	20,432	43,945	77,967
Call investment deposits		–	–	10,731	–	10,731	10,731	10,731	–	–	–
Consumer debtors	1	34,830	33,821	42,307	212,400	74,245	74,245	(318,494)	35,920	25,255	31,592
Other debtors		61,647	(107)	86,844	9,417	95,099	95,099	106,599	30,435	57,989	83,155
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	–	–	32,017	(8,414)	31,288	31,288	35,951	31,289	31,288	31,288
Total current assets		108,661	57,112	184,372	235,448	229,017	229,017	(144,724)	118,076	158,477	224,002
Non current assets											
Long-term receivables	3	–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	10,731	10,731	10,731
Investment property		170,778	172,174	173,984	–	173,984	173,984	173,984	173,984	173,984	173,984
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment		378,658	399,493	377,304	5,780	440,204	1,119,492	445,818	330,731	351,017	371,179
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		25	13	8	–	8	8	8	(74)	(160)	(253)
Other non-current assets		65	65	65	–	65	65	65	65	65	65
Total non current assets		549,527	571,745	551,361	5,780	614,261	1,293,549	619,875	515,437	535,637	555,706
TOTAL ASSETS		658,188	628,857	735,733	241,228	843,278	1,522,566	475,151	633,513	694,114	779,708
LIABILITIES											
Current liabilities											
Bank overdraft	1	359	185	338	–	338	338	338	–	–	–
Borrowing	4	(73)	(351)	594	–	594	(594)	594	384	384	384
Consumer deposits		4,720	4,778	4,804	–	4,804	4,804	4,666	4,781	4,781	4,781
Trade and other payables	4	517,392	477,810	558,072	199,905	555,693	(555,693)	478,182	16,000	13,000	35,273
Provisions		39,471	38,548	41,864	–	41,864	41,864	41,864	–	–	–
Total current liabilities		561,869	520,970	605,672	199,905	603,293	(509,281)	525,644	21,165	18,165	40,438
Non current liabilities											
Borrowing		6,202	3,534	586	–	7,871	(7,871)	7,871	6,500	6,500	6,500
Provisions		6,813	12,216	10,714	–	33,309	(33,309)	33,309	–	–	–
Total non current liabilities		13,015	15,750	11,300	–	41,180	(41,180)	41,180	6,500	6,500	6,500
TOTAL LIABILITIES		574,884	536,720	616,972	199,905	644,473	(550,461)	566,824	27,665	24,665	46,938
NET ASSETS	5	83,303	92,137	118,761	41,323	198,805	2,073,027	(91,673)	605,848	669,449	732,770
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	4	166,733	148,888	154,045	41,323	198,725	198,725	278,243	605,848	669,450	732,770
Reserves		79	79	79	–	79	(79)	79	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	166,812	148,967	154,124	41,323	198,804	198,646	278,322	605,848	669,450	732,770

- Table A6 is consistent with international standards of good financial management practice and improves understand ability for councillors and management of the impact of the budget on the statement of financial position.
- This format of presenting the statement of financial position is aligned to GRAP, 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.
- Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of several items, including:
 - Call investments deposits
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets; and
 - Reserves
- 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. As an 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.

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



Capital Infrastructure Grants Allocation for 2022/23 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 2022/23 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	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25	
R thousand													
KPA 1 Provide and maintain civil & mechanical engineering services	1)roads maintenance.2)storm water maintenance.3)road maintenance.4)Routine/preventive maintenance	A			13,508		2,500	2,500	2,500	15,720	2,000	–	
KPA 2 Deepen democracy and promote accountability	1)Communication strategy .2)Communication Forum.3) Media release (radio and newspaper)4)New sletter(Production)speech.	B			15,508	33,032	17,538	17,538	17,538	5,015	7,759	7,937	
KPA 3 Legal and secretariat services	1)New valuation roll and supplementary.2)Development Reviews and gazetting of by-laws.3) By-law implementation	C											
KPA 4 Enhance compliance with Legislation and improve financial viability	1)Unbinding of infrastructure assets.2)MSCOA Compliancea .3)Procure	D											
KPA 5 To create Conducive environment for sustainable Economic Growth	1)Local Economic Development.2)Spatial Planning	E		23,659	10,000		16,950	16,950	16,950	6,387	32,040	35,453	
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		–			7,967	7,967	7,967	10,606	10,000	10,449	
		G											
		H											
		I											
		J											
		K											
		L											
		M											
		N											
		O											
		P											
Allocations to other priorities				3									
Total Capital Expenditure				1	23,659	39,016	33,032	44,955	44,955	44,955	37,728	51,799	53,839

2022/23-2024/2025 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 Tabled budget of the Musina Local municipality for the financial year 2022/23 and the multi-year and single-year capital appropriations as set out in the following tables be approved and adopted:

1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;

1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;

1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4;

1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5

2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

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

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

Proposed Tariffs booklet:

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

4. That the following budget related policies be approved for implementation in 2022/23;

- 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

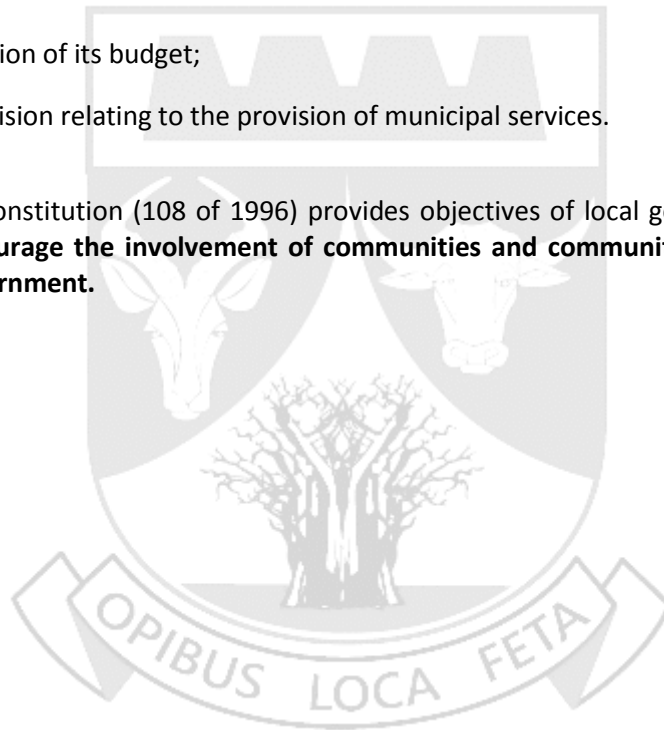
Part B Legislative Mandate

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.**



2022/23 FINAL IDP /Budget Public Participation Schedule

The dates for the meetings scheduled as follows:

BUDGET PROCESS

PLANNING ACTIVITY	TIME SCHEDULE
Approval of Budget time schedule	27 August 2021
Income Budget Submission	27/28 September 2020
Departmental Budget Submission (Budget and business Plans)	18 October 2021
Departmental Budget meeting with Municipal manager	15 November 2021
Budget meeting	4 March 2022
Tabling of first draft Budget, SDBIP (Service delivery Budget implementation plan)	24 March 2022
Provincial Treasury session on draft budget	
Upload budget on municipal website and SMS distribution for budget reviews and public input at satellite offices and municipal offices.	1 April 2022 -29 April 2022
Provincial Treasury budget engagements	May 2022
Tabling Final Budget, SDBIP	20 May 2022
Budget speech and Approval of Budget and SDBIP	End June 2022
Submission of approved budget to National Treasury, Provincial Treasury and Other Stakeholders	On or Before 14 th June 2022