



**Postal Address:**  
Musina Local Municipality  
Private Bag X611  
Musina  
0900

**Physical Address:**  
21 Irwin Street  
Musina  
0900

**Information Center**  
(015) 534 6100  
[info@musina.gov.za](mailto:info@musina.gov.za)  
[www.musina.gov.za](http://www.musina.gov.za)

## **MUSINA LOCAL MUNICIPALITY FINANCIAL FUNDING LONG TERM PLAN (2024\_2025) (2025\_2026) (2026\_2027) (2027\_2028) (2028\_2029)**

### **1. INTRODUCTION**

Financial Management is the cornerstone of any organisation. Controls and policies must be in place to achieve sound financial management. Over the first year of the 5-year plan, financial regulations and policies must be reviewed to ensure all legal, internal control and social requirements are met. Implementing the projects included in the 5-year plan will require large capital investment, which in turn requires effective management and control.

Musina Local Municipality has recognised that credible IDP must be linked to a workable financial plan, which includes a multiyear budget.

#### **Financial Strategies Overview**

The following section sets out general financial strategies that should guide the Municipality in practicing fiscal prudence management. The financial plan would require of us to be conservative when estimating our revenues but accounting for the unforeseen when estimating our expenditure, include a general consideration, which will apply to the detailed financial resources (capital and operational) and revenue raising. Other considerations are:

- Financial Management
- Operational Financing
- Cost Effectiveness
- Financial Issues

### **2. GENERAL CONSIDERATIONS**

- ✓ Social Responsibilities

All aspects of matters relating to financial matters will take cognizance of Council's social responsibilities including transformation and empowerment



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such as in Budget related policy in respect of honesty, accountability, compassion, respect and fairness in discharging the contents of those policies.

✓ **Investor attraction**

In order for the finance department to deliver on these strategies it is. Like the IDP, the funding action plan will be subject to a regular review and comparison of actual performance to predetermined performance measures.

### **3. FINANCIAL RESOURCES**

Financial resources which we are wholly going to be interested in tapping in coupled with available sources for both capital projects and operational purposes are as follows:

**Capital Expenditure:**

- National Government Funding
- Provincial Funding
- Infrastructure Funding
- Own Funding (linked with the IDP projects) because they are key drivers of socio economic activities...

**Operational expenditure:**

- Own Funding
- Grants

### **4. POSITIVE CASHFLOW**

Musina Local Municipality main sources of revenue are from property rates, Municipal services such as electricity, refuse removal and Grants. The short-term objective of the municipality is to access all available revenue and to identify additional sources of revenue to extend Councils tax base.



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- Revenue enhancement strategy adherence and quarterly target reviews from MTREF 2020/2021
- Implementation of the Funding Recovery Plan.
- Set monthly cash flow projections.
- Analysis of actual cash spending against the monthly cash projections.

## 5. **FINANCIAL MANAGEMENT**

It is most important that the Musina Local Municipality maintains a strong finance department an Audit Steering Committee and Internal Audit Function that will be responsible for monitoring financial and other controls. The Budget and Treasury office is committed to sound financial management and as indicated earlier the creation of a sound economic base.

Financial management policies and procedures for the entire municipality as required by legislation will have to thoroughly adhere to and maintained.

Cost containment and Financial recovery Plan is also a key plan to assist us in attaining the positive spins of taking the financial resources afloat and getting out of the quagmire we finding ourselves in.

Staff will be encouraged to adhere to value for money principles in carrying out their work. On the issue of audit reports, both internal and external measures will be put in place to ensure that any material of fundamental issues are addressed immediately. It is expected that the internal audit function will raise any material or fundamental issues before external audit. Other issues arising will be addressed accordingly. Budget and Treasury Office recognises the need to maintain a positive cash flow at all times and will be investigating various avenues to improve cash flow. Strong positive cash flow will result in additional revenue in the form of interest earned.

## 6. **REDUCTION OF NON CORE EXPENDITURE & ASSET MANAGEMENT.**

There was comprehensive and concerted effort taken by management to reduce the non-core expenditure items but not reducing the effort of provincial goals which is based on the uplifting of the lives of our people below is the key drivers which are in the explicit in the 2024/25 budget.

- Determine the current status at beginning of year 2/Prior Implementation of Funding Plan



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- Establish the Targets to Be achieved over the Funding Plan period
- Identify the Non-Core Expenditure where Reduction as per the Targets Set will be performed

## **7. COST EFFECTIVENESS / CASH AND SHORT TERM LIQUIDITY**

In any organisation it is necessary to strive for cost effectiveness and Municipalities are no different. It is Council's intention to pursue the shared services concept wherever possible. The sharing of services will enable the Municipality to minimize total costs on these services, baseline assessments and setting targets.

- As planning tool for MTERF our status has not yet improved where we can afford to measure possibility to generate own funds.
- We anticipate the position to improve in the 2024/25 financial year.
- However expectations should be limited to trying to reduce prior year's debts, which includes but not limited to, Dept. Transport, AG, and suppliers in excess of over 90 days.
- In the MTERF we expect by 2 outer years to have improved the status, where we can be abled to have surplus budget to be used to fund own projects.
- With that we can strive to create and have Capital Replacement Reserves(CRR)
- With CRR created over years we can be able to ring-fence it annually and utilise it specifically to fund own capital projects
- To ensure that specific needs of the municipality are met through sustainability and review of cash management Policy to recognise debtors balances as cash over a given period of time.

## **8. COLLECTION RATE**

The implementation of the funding plan requires a team effort. A team approach requires the involvement of the Council, Municipal Manager and Chief Financial Officer in implementing these funding plan strategies. It is crucial that individuals to whom the responsibilities have been allocated according to the action plan be held accountable for the outcome of these strategies. The progress made towards achieving these strategies should be measurable, and reviews quarterly and it is essential that these strategies be included in the performance appraisals of individuals.

The budgeted cash flow statement is the first measurement in determining if the budget is credible and funded or unfunded, and our budget show the expected level of cash inflow versus outflow that is likely to result from the implementation of



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creditors repayment plan for all the prior year debts, which does not limit us to exchange the effects thereof, with the implementation of revenue enhancement the municipality is anticipating a positive the cash available at year end as we improve the status of our books at the end of MTREF.

As depicted above the cost to review the staff structure will remain intact and but not limited to budget organogram but warm bodies so as to allow a swift move when the need arise to either appoint either due to resignations of pension or need as it arise, of key will be that Human resources will update bi annually the age gaps and analysis to ascertain that we fill core functions holistically and across.

The cleansing of our debt book will be reviewed periodically as such noting and dealing with irrecoverable debts swiftly

The oversight role will be implemented as we do our sec 52 reports which will be culmination of all sec71 reports that has been endorsed by management and portfolio committee, adherence to the repayment plans and reduction of creditors which are on 60 days age analysis will be monitored by CFO and reported to Municipal MANAGER monthly.

And the funding plan as a living document will be assessed through the service delivery plan and by monitoring adherence to the council Financial Recovery PLAN and key components of expenditure linked to revenue enhancement strategy.

## FOCUS AREAS

- Establish the Targets to be achieved over the Funding Plan period.
- Issuing Monthly Consumer Statements.
- Implementation of credit control and debt collection Procedures.
- Develop a Plan on a Targeted Approach on Top 100 Debtors
- Implementation of the Top 100 Debtors Plan.
- Test the Accuracy of Billing over government Debt.
- Enter into Arrangements over payment of Government Debt
- Monitor Adherence to On Debtor Payment Arrangements made.
- Establishment of a functional revenue steering Committee.



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## 9. TRADE PAYABLES

The plan is to fund operating expenses from normal revenue streams. It is expected that strong financial management including accurate cash forecasting will obviate the need to resort to short-term borrowings. As indicated earlier it is Budget and Treasury office intention to maintain a strong economic base through good working capital management including setting aside of adequate provisions for working capital. It is anticipated that these reserves will be based on the same principles as currently apply to contributions to existing statutory funds.

- Determine the current status at beginning of year 2/Prior Implementation of Funding Plan
- Establish the Targets to be achieved over the Funding Plan period
- Determine the Top 10 Creditors
- Enter into payment Arrangements with the Top 10 Creditors
- Enter into payment Arrangements with Other Creditors where applicable
- Ensure that Current Accounts are paid within 30 Days of Invoice Receipt
- Ensure that Orders are only approved where there is actual Cash on hand to settle (This will ensure that Creditors can be paid within 30 Days)

## 10. FUNDING EXPOSURE/PROCESS FOR 2024 2025

Funding compliance measurement

National Treasury requires that a municipality assesses its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality.

The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

Each of the measures is discussed below.

➤ Cash/cash equivalent position

The Municipality forecasted cash position was discussed as part of the budgeted cash flow statement.



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A 'positive 'cash position, for each year of the MTB would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecasted cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

➤ Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the revenue budget is not being protected.

➤ Asset renewal/rehabilitation expenditure level

This measure has a similar objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorize each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and asset sustainability.

Further details in this regard are contained will be contained in the Focused Budget for MTREF 2024\_2025 as we will be embarking on the final review of the Funding Plan as it gets to its final year.

The Progress report dictate that we invest more in ASSETS renewal, and Repair and maintenance for the new financial year.

### **Recommendations**

A funded budget will require that as an institution we keep the financial discipline and prudent management of our limited resources. It is also worth noting that we have moved from **RED** to **Ember** not yet **Green**

The buying of service delivery assets should continue into the new financial year 2024\_2025 and clearing of the debts and adherence to the statutory requirement of 30 days of payments to creditors.



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## FUNDING IMPLEMENTATION PLAN/ACTIVITIES

Pillar	Focus Area	Activity	Frequency
<b>1. Positive Cashflow</b>	positiveCash Flow	Baseline Assessment	Determine the Current Cashflow status at beginning of year 2/Prior Implementation of Funding Plan
	positiveCash Flow	Setting of Targets	Establish the Targets to be Achieved over the Funding Plan period
	PositiveCash Flow	Monthly Cashflow Plans	Set Monthly Actual Cash Projections
	positiveCash Flow	Monthly Analysis of Actual Cash Spending	Analyze the Actual Cash Spending against the Monthly Cash Projections
<b>2. Cash and short term liquidity</b>	Cash and short term liquidity	Baseline Assessment	Determine the current status at beginning of year 2/Prior Implementation of Funding Plan
	Cash and short term liquidity	Setting of Targets	Establish the Targets to be Achieved over the Funding Plan period
	Cash and short term liquidity		
	Cash and short term liquidity		
<b>3. Collection Rates</b>	Collection Rates	Setting of Targets	Establish the Targets to be Achieved over the Funding Plan period
	Collection Rates	Monthly Consumer Statements	Issuing Monthly Consumer Statements
	Collection Rates	Credit control and debt collection Procedures	Implementation of credit control and debt collection Procedures
	Collection Rates	Top 100 Debtors (Excluding Organs Of State)	Develop a Plan to target and attack On Top 100 Debtors
	Collection Rates	Top 100 Debtors (Excluding Organs Of State)	Implementation of the Top 100 Debtors Plan
	Collection Rates	Government Debt Accuracy	Test the Accuracy of Billing over government Debt
	Collection Rates	Government Debt Collection	Enter into Arrangements over payment of Government Debt
	Collection Rates	Government Debt Collection	Monitor Adherence to On Debtor Payment Arrangements made.
	Collection Rates	Revenue Enhancement Committee	Establishment of a functional revenue steering Committee
	Collection Rates		
<b>4. Reduction In Non Core Expenditure</b>	Reduction In Non Core Expenditure	Baseline Assessment	Determine the current status at beginning of year 2/Prior Implementation of Funding Plan
	Reduction In Non Core Expenditure	Setting of Targets	Establish the Targets to be Achieved over the Funding Plan period
	Reduction In Non Core Expenditure	Listing of Non Core Expenditure	Identify the Non Core Expenditure where Reduction as per the Target Set will be performed
	Reduction In Non Core Expenditure		
<b>5. Trade Payables</b>	Trade Payables	Baseline Assessment	Determine the current status at beginning of year 2/Prior Implementation of Funding Plan
	Trade Payables	Setting of Targets	Establish the Targets to be Achieved over the Funding Plan period
	Trade Payables	Top Creditors Listing	Determine the Top 10 Creditors
	Trade Payables	Payment Arrangements	Enter into payment Arrangements with the Top 10 Creditors
	Trade Payables	Payment Arrangements	Enter into payment Arrangements with Other Creditors where applicable
	Trade Payables	30 Days Payment Turnaround	Ensure that Current Accounts are paid within 30 Days of Invoice Receipt
	Trade Payables	Split on Current and Non Current as well as the Payments Arrangement Specifics	
	Trade Payables	Approval of Orders	Ensure that Orders are only approved where the is actual Cash on hand to settle (This will ensure that Creditors can be paid within 30 Days)
	Trade Payables		
	Ring Fencing of Conditional Grants	Baseline Assessment	Determine the current status at beginning of year 2/Prior Implementation of Funding Plan
<b>6. Ring Fencing of Conditional Grants</b>	Ring Fencing of Conditional Grants	Setting of Targets	Establish the Targets to be Achieved over the Funding Plan period
	Ring Fencing of Conditional Grants	Separate Bank Accounts for Conditional Grants	Open Separate Bank Accounts One Bank Account for Conditional Grants
	Ring Fencing of Conditional Grants	Monthly Grant Reconciliations	Monthly Reconciliation of Expenditure by the respective Conditional Bank Accounts
	Ring Fencing of Conditional Grants	Monthly Grant Reconciliations	Matching of Incurred Expenditure Listing to Conditions Of the Grant (Testing All Expenditure is in line with the Conditions)
	Ring Fencing of Conditional Grants	Ring Fencing Conditional Grants VAT	Track All Grants Vatable Invoices claimed and to ring Fence from the Vat Income Received
	Ring Fencing of Conditional Grants		
	Other	Property Rates Billing Reconciliation	Property Rates Billing Reconciliation
	Other	UIFW Reduction Strategy	Implementation of UIFW Reduction Strategy
	Other		
	Other		
<b>7. Other</b>	Other		
	Other		

The funding implementation tool is used by the municipality to report on a monthly basis the progress of the funding plan to Treasuries based on frequency and targets set.