

MASILONYANA LOCAL MUNICIPALITY



FINAL 2016-17 BUDGET AND MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK



Acronyms and abbreviations

CFO	Chief Financial Officer
CPI	Consumer Price Index
CoGTA	Cooperative Governance and Traditional Affairs
CRRF	Capital Replacement Reserve Fund
EEDSM	Energy Efficiency and Demand Side Management
DoJ	Department of Justice
DoRA	Division of Revenue Act
DWA	Department of Water
EXCO	Executive Committee
FBS	Free basic services
GVA	Gross Value Added
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
MBBR	Local Government: Municipal Budget and Reporting Regulations
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MFMG	Municipal Finance Management Grant
MIG	Municipal Infrastructure Grant
MLM	Masilonyana Local Municipality
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MSIG	Municipal Systems Improvement Grant
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Energy Regulator of South Africa
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
RBIG	Regional Bulk Infrastructure Grant
SALGA	South African Local Government Association
SARS	South African Revenue Services
SAPS	South African Police Services
SDBIP	Service Delivery Budget Implementation Plan
SMMEs	Small Macro-Medium Enterprises
VAT	Value Added Tax



PART 1 – ANNUAL BUDGET.....	5
1.1 Mayor’s report.....	5
1.2 Council Budget Recommendations	6
1.3 Executive summary	8
1.4 Capital expenditure	18
1.5 Annual Budget Tables.....	21
Part 2 – SUPPORTING DOCUMENTATION	39
2.1 IDP and Service Delivery and Budget Implementation Plan.....	39
2.2 Financial Modelling and Key Planning Drivers	40
2.3 Overview of alignment of annual budget with IDP	41
2.5 Measurable performance objectives and indicator	49
2.6 Budget related policies.....	50
2.7 Overview of the budget assumptions.....	51
2.8 Legislation compliance status.....	52



LIST OF TABLES

Table 1 Consolidate overview of the 2016/17 MTREF

Table 2 Summary of revenue classified by main revenue source

Table 4 Operating transfers and grant receipt

Table 5 Summary of operating expenditure by item for 2016/17 MTREF

Table 6 Repairs and Maintenance per asset classification

Table 7 Capital expenditure by vote

Table 8 Capital expenditure by standard classification

Table 9 Capital expenditure per project list

Table 10 MBRR A1 – Consolidated budget summary

Table 11 MBRR table A2- budgeted financial performance (revenue and expenditure by Standard classification)

Table 12 MBRR table A3-budgeted financial performance (revenue and expenditure by municipal vote)

Table 13 MBRR table A4-budgeted financial performance (revenue and expenditure)

Table 14 MBRR table A5-budgeted capital expenditure by vote, standard classification and funding source

Table 15 MBRR table A6-budgeted financial position

Table 16 MBRR table A7-budgeted cash flow statement

Table 17 MBRR table A8- cash backed reserves/accumulated surplus reconciliation

Table 18 MBRR table A9- asset management

Table 19 MBRR table A10- basic service delivery measurement

Table 20 Schedule of key deadlines for the IDP/ Budget process

Table 21 Reconciliation of IDP strategic objectives and budget (Revenue)

Table 22 Reconciliation of IDP strategic objectives and budget (Operating Expenditure)

Table 23 Reconciliation of IDP strategic objectives and budget (Capital Expenditure)



PART 1 – ANNUAL BUDGET

1.1 Mayor's report

Insert

Budget allocation in terms of the operations and capital budget:

The municipality's total operating and capital budget is estimated to be R250, 6 million. Operating expenditure has been projected at R228 million. The Municipality's capital expenditure amounts to R22, 5 million that is fully funded from grants. This is supported with a revenue base of R 250, 6 million from service charges, property rates and capital grants. The municipality has decided to table a balanced budget mainly due to challenges that were faced in collecting revenue will be indicated further in the report. The municipality is experiencing cash-flow challenges that will have a direct impact on the budget that is being prepared for. But as a mitigation strategy, the municipality has adopted the revenue enhancement strategy and also will be having support from Provincial CoGTA this regard. This will also be outlined in the report.

Key priorities for the municipality towards the 2016/17 as per the IDP, SDBIP and its linkage with the Province and National.

MLM exists within the Free State province which is the non-urban municipality, with a low revenue generation. In this regards the Municipality has aligned its budget and operations towards National and the Provincial key performance areas.

Radical economic transformation

MLM will conducts workshops with existing and potential SMMEs and empower them to access the entrepreneurial opportunities offered by the municipality through its Supply Chain Management (SCM) processes. These include:

- ✓ Inviting a larger pool of SMMEs to register on the municipal database of service providers. Invitations will be made through, for example, placement of adverts at local township shops and halls over and above advertising in the local media; also through the sessions that are called by the LED office
- ✓ Constant engagement are made for the purpose of information sharing through LED office and SCM unit
- ✓ Training SMMEs on completion of the bid documents. As support, the municipality also assisted the local SMMEs to get matters of their tax clearances to be resolved. The municipality provided transport for our small business enterprises to get assistance. local South African Revenue Service (SARS) office will be invited at these workshops to empower them on SARS requirements; and
- ✓ Settle the accounts of the SMMEs within the prescribed thirty (30) days period as they are small business, where in there challenges in this regard, prompt communication is made to make arrangements



1.2 Council Budget Recommendations

The Council of Masilonyana Local Municipality will on 30 June **2016** where the Mayor will table the Final Budget 2016/17 Budget and Medium Term Revenue and Expenditure Framework (MTREF) for approval by Council in terms of section 24(1) of the Municipal Finance Management Act (56 of 2003), subsequently be tabled to council before start of financial year.

- 1.2.1 That cognisance be taken of the report of the Mayor regarding the 2016/2017 budget.
- 1.2.2 That Council of Masilonyana Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, 2003 (No. 56 of 2003) approves and adopts;
- 1.2.3 The annual budget of the municipality for the financial year 2016/17 as set out in the tables below be approved
- 1.2.4 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12. The operating budget is summarised as follows;

DESCRIPTION	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019
Operational Revenue	228 103 000	234 848 000	248 751 000
Operational Expenditure	(228 103 000)	(234 848 000)	(248 751 000)
Surplus/Deficit	0		

That cognisance be taken that the operational budget is inclusive of the non-cash items which are Depreciation and assets impairment of R32, 2 million and Debt impairment of R29, 3 million. It must be noted that these two items are not fully factored in the tariffs;

- 1.2.5 Budgeted Financial Performance (revenue and expenditure by municipal vote);
- 1.2.6 Budgeted Financial Performance (revenue by source and expenditure by type);
- 1.2.7 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source. The capital budget is summarised as follows:



FUNDING SOURCE	2016/2017 CAPITAL BUDGET	2017/18 CAPITAL BUDGET	2018/19 CAPITAL BUDGET
Municipal Infrastructure Grant	22 500 000	23 898 000	25 069 000
Internal Funding	0	0	0
TOTAL CAPEX	22 500 000	23 898 000	25 069 000

1.2.8 That the Council of Masilonyana Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act 2000 (No.32 of 2000) approve and adopt with effect from 1 July 2016 the following tariffs and rates:

1.2.8.1 Consolidated Final Tariff book 2016/2017 (per department) - **Annexure "1"**

1.2.9 That the Council of Masilonyana Local Municipality approves the following 2016/17 revised budget related policies and tariffs:

- 1.2.9.1 Municipal Property rates policy (**Annexure "2"**)
- 1.2.9.2 Budget policy (**Annexure "3"**)
- 1.2.9.3 Tariff policy (**Annexure "4"**)
- 1.2.9.4 Indigent policy (**Annexure "5"**)
- 1.2.9.5 Fixed Asset management policy (**Annexure "6"**)
- 1.2.9.6 Cash management & investment policy (**Annexure "7"**)
- 1.2.9.7 Credit control & Debt Collection policy (**Annexure "8"**)
- 1.2.9.8 Supply Chain Management policy (**Annexure "9"**)
- 1.2.9.9 Unauthorized, Irregular Fruitless and Wasteful policy (**Annexure "10"**)
- 1.2.9.10 Bad debt write-off policy (**Annexure "11"**)
- 1.2.9.11 **Locomotive Allowance (Annexure "12")**
- 1.2.9.12 **Policy governing payments of creditors, councilors and officials (Annexure "13")**
- 1.2.9.13 **Subsistence and Travel policy (Annexure "14")**

POLICIES DEVELOPED/AMENDED TO ADDRESS AUDIT FINDINGS 2014/2015

- 1.2.9.14 *Disclosure Related parties' policies 2015/2016 (Annexure "15")*
- 1.2.9.15 *Events after reporting date policy and procedure manual 2015/2016 (Annexure "16")*
- 1.2.9.16 *Supply Chain Management policy 2015/2016 (Annexure "17")*



- 1.2.10 to give proper effect to the municipality's annual budget, the Council of Masilonyana Local Municipality approves:
- 1.2.11 That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of section 8 of the Municipal Budget and Reporting Regulations;
- 1.2.12 that the municipality did not budget to raise long term loans to fund the capital budget, and
- 1.2.13 that the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

1.3 Executive summary

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

Masilonyana has committed itself to respond to the people's legitimate demand for a better life as reflected in our budget in which the key priorities are water and sanitation, and related critical infrastructure maintenance. In a continued effort to create jobs for the inhabitants of MLM and to encourage private sector investment, the capital budget is being focused on addressing the backlog of the aging infrastructure of the municipality and also to address the capacity in terms distribution of water at the areas in Winburg and Branford through funding from DWA. The municipality believes once this projects are completed, the challenges that were faced by the municipality will be a thing of the past.

Masilonyana has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers; and to also ensure that the indigent register is up-to-date. The challenge with this process is that it takes long for the register to be finalised, as the process involved councillors, Ward committee and other external stakeholders such as DoJ, SAPS which are not necessarily under the control of the municipality. The invitation of the external stakeholders is made so that when the campaigns are conducted, all departments affected are present for the campaign. The intervention of the Mayor and council is requested to communicate this message to these department as the municipality is dependent on these department for the campaigns of indigents to be a success

National Treasury's MFMA Circular No. 79 and 79 were used to guide the compilation of the 2016/17 MTREF

The main challenges experienced during the compilation of the 2016/17 MTREF can be Summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poor water, electricity and roads infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;



- The increased cost of bulk water and electricity (due to tariff increases from Department of Water and Sanitation and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable – we are fast reaching a point where services are will no longer be affordable; and as a result of this, the debt is growing
- Wage increases for municipal staff that, as well as the need to fill critical vacancies;
- Affordability of capital projects
- The public participation meetings that are not well attended

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets of Maseko Local Municipality, as well as the base line allocations, contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Service level standards were used to inform the measurable objectives, targets and Development goals; Tariff and property rate increases should be affordable. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address Infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

1.3.1 Charting the Way Forward

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Overview of the 2016/2017 MTREF

2016/2017 MTREF BUDGET SUMMARY			
Description	2016/2017	2016/17	2017/18
Total Operating Revenue	228 103 000	234 848 000	248 751 000
Total Operating Expenditure	(228 103 000)	(234 848 000)	(248 751 000)
Surplus/(Deficit) of the year	0	0	0
Total Capital Expenditure	22 500 000	23 898 000	25 069 000
TOTAL BUDGET	250 630 000	258 746 000	273 280 000



Total operating revenue stands at R228, 1 million for the 2016/2017 financial year while total operating expenditure has been appropriated at R228, 1 million, R227, 7million in 2017/2018 and R242, 2 in 2018/19 and translates into a balanced budget. The operating expenditure budget is inclusive of non-cash item as reported above on 1.2.4.

MFMA Circular no. 58-79 stated that, in preparation for 2012/2013 budget, municipalities that have chosen the 'revaluation model' when implementing GRAP 17 must exclude the depreciation resulting from the revaluation of PPE when preparing their budgets and calculating any tariff increases. When implementing GRAP 17 in 2008/09 financial year.

However, there continues to be a focus to reduce the deficit for the municipality in line with National Treasury circular 72 requirements, to produce a funded surplus budget. In line with this requirement and with implementation of financial turnaround strategy the municipality projects to achieve moderate surpluses in the years following 2018/2019. This would be achieved through the re-structuring of tariffs that are cost reflective.

Masilonyana Local Municipality has had to take a more conservative approach in the manner in which it approaches the budgeting. This approach includes giving consideration in the budget to the cost containment measures suggested by National Treasury in Circular 80 and 82 in line with the Municipality's revenue enhancement strategy.

These measures will be implemented in an attempt to ensure the future viability of the institution and to focus on reducing the impact on the residents within our community.

The capital budget of R22, 5 million has been provided for 2016/2017, R23, 8 million 2017/18 and R25, 0 million in 2018/19. Own funded capital projects have not been appropriated for due to limitations of cash reserves and debt owed by the municipality to Eskom, water boards and other creditors.

Infrastructure and Social and community services has received the largest budget of R174, 92 million combined being appropriated for these vote. The unbundled figures will be reflected on table 5 below. This is in line with prioritising the core service delivery mandate of the municipality



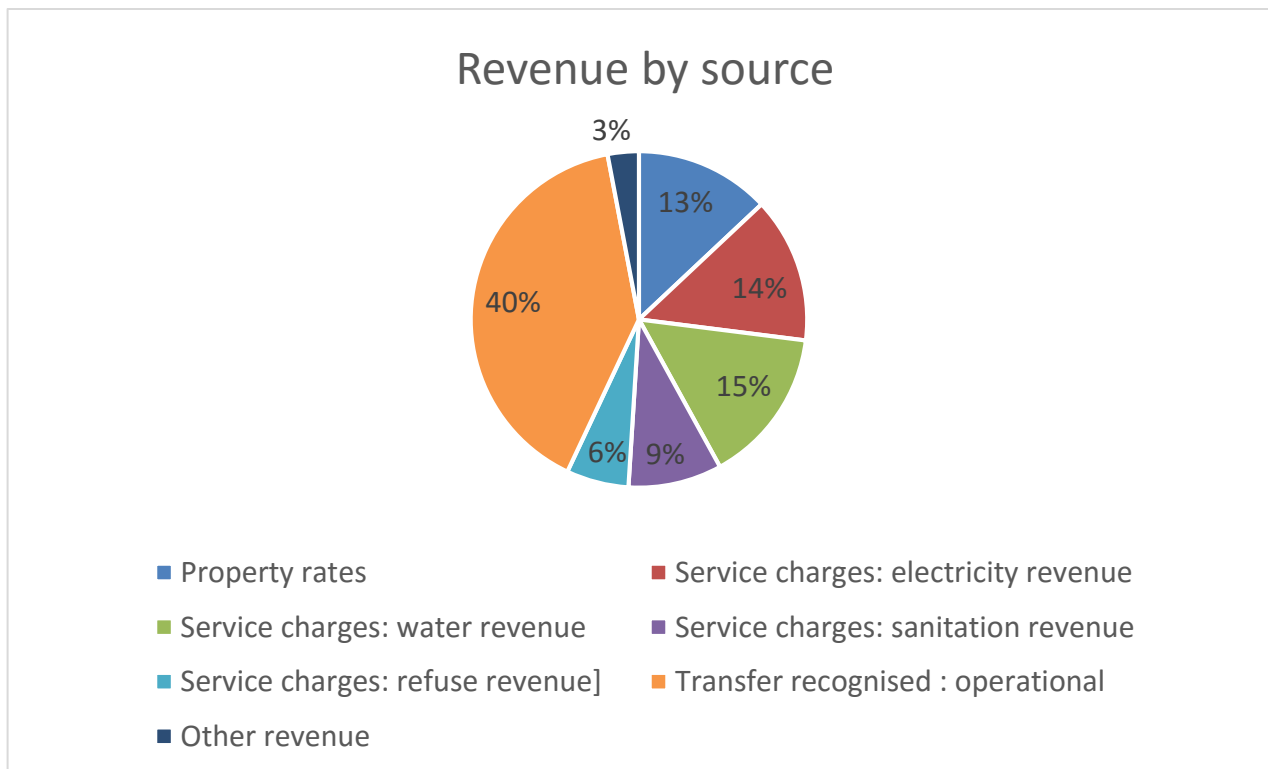
Table 2: Summary of revenue classified by main revenue source

FS181 Masilonyana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	15,076	15,478	16,586	18,947	33,528	33,528	-	30,313	37,956	39,901
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	21,818	20,119	20,864	27,437	28,626	28,626	-	30,825	32,737	34,668
Service charges - water revenue	2	15,756	17,992	19,167	23,448	32,606	32,606	-	34,758	36,913	39,091
Service charges - sanitation revenue	2	18,290	17,505	17,567	19,484	19,484	19,484	-	20,769	22,057	23,359
Service charges - refuse revenue	2	9,437	8,252	8,394	11,993	11,993	11,993	-	12,785	13,577	14,378
Service charges - other			260	267							
Rental of facilities and equipment		159	244	241	196	264	264		280	297	316
Interest earned - external investments		27	316	384	399	500	500		530	563	593
Interest earned - outstanding debtors		2,998	8,216	4,721	4,597	4,597	4,597		4,563	5,119	5,733
Dividends received		26	5	5	5	5	5		5	6	6
Fines		81	16	43	11	111	111		875	929	987
Licences and permits		-	-	-	-	-	-				
Agency services		-	-	-	-	-	-				
Transfers recognised - operational		80,939	87,422	90,147	92,163	92,163	92,163		92,334	84,624	89,646
Other revenue	2	20,354	179	62	6,053	6,153	6,153	-	66	70	74
Gains on disposal of PPE					334	334	334				
Total Revenue (excluding capital transfers and contributions)		184,959	176,004	178,448	205,066	230,363	230,363	-	228,103	234,848	248,751

Services charges forms the largest component of the revenue basket for the municipality which amounts to R99,1 million while transfer recognized-operational constitutes the second largest revenue source totalling R92,2 million. The third largest source is property rates at R30.3 million.

Figure 1: Revenue





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. In the 2016/17 financial year, revenue from rates and services charges totalled R129, 4 million or 57 percent. This increases to R143, 2 million, and R153, 3 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 63 percent in 2017/18 to 66 percent in 2018/19. It must however be noted that the budget for property rates was not based on the CPI, due to the following, the outcome of the VZAP that deals with the reviews and appeals of properties total to 296. Most properties were adjusted down, therefore the municipality budgeted its property rates based on the decision taken by the board. The historical amount were also taken into consideration when this budget was prepared on property rates in particular.

Other revenue consists of various items such as income received from, building plan fees, connection fees, renting out of properties and fines, sales of graves etc. Departments review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R92, 3 million in the 2016/17 financial year; this was increased by R6, 0 million which was funded by DoE for the purposes of implementing the Energy Efficiency Demand Site Management.

Benefit of implantation of EEDSM Project.

The municipality will upgrade part of its current electrical infrastructure by installation current new energy efficient technologies, thus including a campaign to create awareness to create on energy efficiency and energy efficiency technologies that would target staff members. This program would play a major role in creating employment and develop employees of Masilonyana municipality and electricity reduction within municipal operations. Implementation of this project will further assist the municipality to comply with Building Regulation and Building Code (SANS 10400-XA: 2011) with SANS 204, SANS 941: Energy Efficiency of electrical and electronic apparatus and the Carbon-Tax-2013/2014 regulations.

Although the EEDSM in itself and by its own nature, Revenue Enhancement Mechanism remains one of the key energy efficiency initiative, it has the potential to immediately reduce the municipal electricity bill to ESKOM, with bulk metering ascertain energy savings that can be quantified in monetary terms. Further benefits emanating from this program are also attributed toward the identification of potential energy losses, and recommending the most appropriate energy efficient measures that will enhance savings.

Since the EEDSM will also have a direct impact on electricity infrastructure, there is a requirement to undertake a full a full infrastructure inventory assessment. It is on these basis that the future management plans shall be generated to inform the municipality of any potential future commitment on maintenance. However, it is highly unlikely that the municipality will incur any additional on continuous maintenance costs, since the envisaged technologies e.g. LED street lights have an extended lifespan periods exceeding ten (10) years. Part of the savings on maintenance continuous maintenance costs shall also be integrated in some prescribed formulae that determines the Return on Investment (RoI).



Expenditure

As Masilonyana local municipality we commit ourselves in utilizing the allocated budget in retrofitting our current technology with model energy efficient technology available in the market. The biggest focus would be retrofitting street lighting, municipal buildings, water treatment plants, high mast lights and installation of smart metering.

Eskom Account

Electricity distribution within the municipal is both municipal and Eskom-owned infrastructure. Eskom charges a flat rate rather than consumption-based tariff to municipalities on their infrastructure, such as high mast thereof. After retrofits are complete the municipality expect drastic energy reduction in terms of Eskom billing.

Sustainability of the project

The EEDSM program would result in significant cost saving to the municipality both in energy consumption saved and maintenance costs. The new energy efficient technologies last much longer and therefore need to be replaced less often. And through development and capacity the municipality electrical department will have the necessary skills to better maintain the infrastructure in place.

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

Table 4 Operating Transfers and Grant Receipts

FS181 Masilonyana - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		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
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		83,391	83,391	85,160	92,163	92,163	92,163	92,334	84,624	89,646
Local Government Equitable Share		81,091	81,091	81,403	88,321	88,321	88,321	79,723	78,909	83,676
Finance Management		1,500	1,500	1,800	1,800	1,800	1,800	1,825	1,900	2,155
Municipal Systems Improvement		800	800	934	930	930	930			
EPWP Incentive				1,023	1,112	1,112	1,112	1,147		
Energy Efficiency and Demand Management								6,000		
Councillors support Grant								3,639	3,815	3,815
Provincial Government:		-	-	-	-	-	-	-	-	-
Councillors support Grant										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Operating Transfers and Grants	5	83,391	83,391	85,160	92,163	92,163	92,163	92,334	84,624	89,646



1.3.2 Summary of Rates and Service Charge Tariff implications to the 2016/17 MTREF Budget

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, the wage agreements with unions, other input costs of services provided by the municipality, the municipality's indigent policy and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The percentage increases of both Eskom and Water bulk tariffs are beyond the South African Reserve Bank inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality are largely outside the control of the municipality. The Eskom price increase of bulk electricity supplied to municipalities will increase by 9, 4 percent on bulk and 7.64 percent on basic services on 01 July 2016, subject to Nersa approval.

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 utilised for the calculation of the CPIX 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 and water, petrol, diesel, materials and chemicals.

The current challenge that will face MLM 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. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.3.2 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- 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 the capital budget implementation plan.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan, procurement plans, no funding allocation can be made.



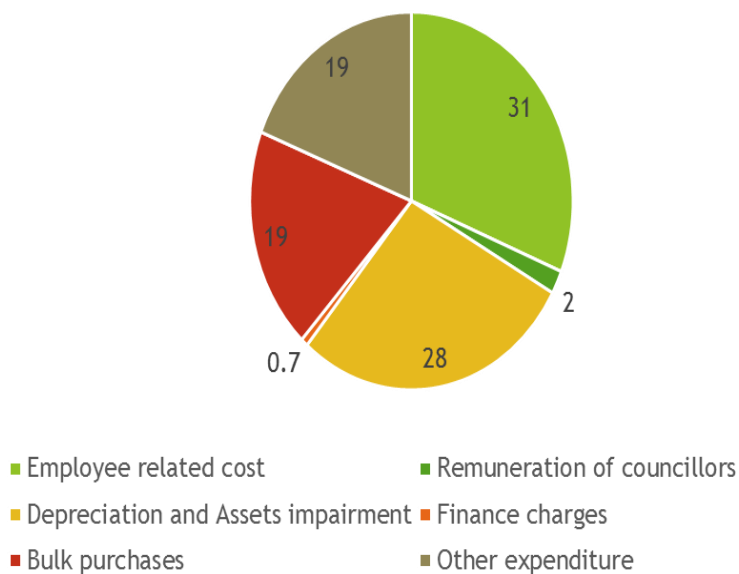
The following table is a high level summary of the 2016/2017 budget and MTREF (classified per main type of operating expenditure):

Table 5: Summary of operating expenditure by item for the 2016/2017 MTREF

Expenditure By Type											
Employee related costs	2	39,408	62,653	72,549	55,441	61,173	61,173	-	70,623	71,498	72,604
Remuneration of councillors		4,433	5,439	4,939	4,936	4,786	4,786		5,092	5,459	5,835
Debt impairment	3	25,890	93,111	29,493	27,683	27,683	27,683		32,380	32,866	32,847
Depreciation & asset impairment	2	37,750	28,812	25,141	30,460	30,460	30,460	-	32,287	34,160	36,141
Finance charges		1,085	1,657	4,794	2,882	1,544	1,544		1,636	1,731	1,831
Bulk purchases	2	39,664	31,808	34,439	66,318	66,318	66,318	-	43,113	45,790	58,427
Other materials	8		6,227	6,130	17,823	8,812	8,812		10,394	11,038	11,107
Contracted services		400	-	-	4,155	2,100	2,100	-	2,000	582	616
Transfers and grants		15,201	-	-	15,524	15,524	15,524	-	-	-	-
Other expenditure	4, 5	33,513	41,490	40,579	18,681	23,785	23,785	-	30,579	31,724	29,343
Loss on disposal of PPE											
Total Expenditure		197,344	271,196	218,063	243,903	242,186	242,186	-	228,104	234,848	248,751
Surplus/(Deficit)		(12,385)	(95,192)	(39,615)	(38,837)	(11,823)	(11,823)	-	(0)	0	0

Figure 2: Expenditure by major type for the 2016/2017 financial year

Expenditure :2016/17



The budgeted allocation for employee related costs for the 2016/2017 financial year amounts to R70,6 million, which equals 31 percent of the total operating expenditure; Employee related cost overall will increase by 6.2 percent and 7.6 percent for the 2017/18 and 2018/19 financial year in terms of the MFMA circular 79. Overall the total employee related cost and councillor remuneration totals to 33 percent which is within National Treasury acceptable norm



The following are highlights of the components of operating expenditure:

- The municipality has decided to park the expenditure against overtime to 0 percent increase from the previous financial year and increase with CPI of 6.4 and 7.6 percent for 2017/2018 and 2018/2019 financial years as per MFMA circular 79 respectively. Overtime is only being provided for emergency services and other critical functions; this is an item that was growing as management did not have proper monitoring and control over it, however, the policy that will regulate overtime and procedures has been developed to address it.
- Masilonyana municipality is of the municipalities that is affected by the MDB wherein Soutpan will be incorporated into Mangaung metro. Initially the municipality has decreased its employees remuneration a total of R1, 0 million which is more or less half of the salary bill of Soutpan. However, in its final budget, the municipality budgeted for the entire workforce of Masilonyana including that of Soutpan as even at the time when the final budget is tabled, there was no formal letter indicating the MDB processes to be implemented.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).
- The most recent proclamation (Government Gazette no. 35962) in this regard has been taken into account in compiling the municipality's budget and an increase of 7 percent has factored in as per the MFMA circular 79 taking into consideration grading number 3 of the municipality;
- The provision of debt impairment was determined based on an annual collection rate of 42 percent to 65 percent, 25 percent of the debt has been impaired against the bad debtors and the remainder on revenue foregone (Exempt property rates, discounts/incentives and interest write offs). For the 2016/2017 financial year this amount equates to R32, 3 million. While this expenditure is considered to be a non-cash flow item; it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. The budgeted amount has been increased by R4 million, however it was resolved by council that more needs to be done in registering the indigents to 6500
- 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 of consumption of assets. Budget appropriations in this regard total R32, 2 million for the 2016/2017 financial year and equates to 14 percent of the total operating expenditure.



- Finance charges consist primarily of the repayment of interest on long-term borrowing and interest on Eskom outstanding debt (Finance charges make up 0.7 percent of operating expenditure excluding annual redemption);
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water boards. The Eskom and Water payment plans has been taken into consideration for this years budgeted. The increases have been factored into the budget appropriations and directly inform the revenue provisions.
- The Bulk purchase constitutes 18 percent of the total operating budget. It is therefore imperative that the municipality prioritise the reduction of the distribution losses to maximum income generation from this expenditure item. The municipality has been ensuring that the distribution losses are prevented and calculated on a monthly basis. Bulk meters has also been procured to assist in ensuring that the municipality has control on the distribution of water especially in the wards where there's non-payments.
- In line with the Masilonyana' s repairs and maintenance plan, this group of expenditure has been prioritized to ensure sustainability of the infrastructure. For 2016/2017 a provision of R10, 3 million has been provided. However this is well below the national treasury circular 55. Guideline which stipulates that the Municipality must budget for at least 8% of the total asset carrying value, which translates to R625 million.
- Contracted services takes into consideration the cost of updating the valuation and payment arrangement for payment of Government garage debt. As part of the compilation of the 2016/17 MTREF, this expenditure component was critically evaluated and operational efficiencies were enforced. In the 2016/17 financial year, this expenditure category totals R2million. For the two outer years, growth has been limited only on maintenance of valuation roll to 6.2 percent for 2017/18 and 5.9 percent for 2018/19 percent of the projected CPI.
- Other general expenses have been identified as one of the highest cost drivers for the municipality. In the 2016/2017 financial year, this group of expenditure totals R30, 5million or 13 percent of the total operational budget. In this item, there's security services that the municipality has made provision for, which in its draft budget 2016/2017 was not included. The other expenditure that was also increased was uniforms, this makes provision for uniforms/protective clothing for employees under Electrical department to comply with Electricity standards. This will also be inclusive of uniforms/protective clothing for employees at Sewer Treatment plant which were not included when the draft budget 2016/2017 was tabled to council in March 2016.

1.3.2.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the MLM Indigent Management Policy. The target is to register 6500 or more indigents households during the 2016/2017 over MTREF financial year, a process reviewed annually. The Indigent is an ongoing process where in anyone



MLM: FS181 BUDGET AND MTREF 2016-2017

can lose their jobs as a result of this they may be declared as indigent, we will however be adjusting the budget if we reach that target. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share of R83, 3 million receivable in terms of the annual Division of Revenue Bill.

1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote.

Table 7: Capex by Vote:

FS181 Masiyonyana - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19

Single-year expenditure to be appropriated																
Vote 1 - Executive and Council		94	94	94	94	94	94	94	94	94	94	94	94	1,125	1,195	1,253
Vote 2 - Finance and Admin														-	-	-
Vote 3 - Community Facilities		600	800	326										0	1,726	3,703
Vote 4 - Housing														-	-	-
Vote 5 - Public Safety														-	-	-
Vote 6 - Sports & Recreation				500	500	500								800	2,300	2,000
Vote 7 - REFUSE		600	709											(0)	1,309	157
Vote 8 - Waste Water Management														-	-	-
Vote 9 - Roads and Transport		1,700	1,900	1,844	900	1,200	1,000	1,000	1,415	1,000	1,413	1,373	900	15,646	16,843	18,868
Vote 10 - Water													394	394	-	2,790
Vote 11 - Electricity														-	-	-
Vote 12 - PLANNING & DEVELOPMENT														-	-	-
Vote 13 - OTHER														-	-	-
Vote 14 - [NAME OF VOTE 14]														-	-	-
Vote 15 - [NAME OF VOTE 15]														-	-	-
Capital single-year expenditure sub-total	2	2,994	3,503	2,764	1,494	1,794	1,094	1,094	1,509	1,094	1,507	1,467	2,187	22,500	23,898	25,069
Total Capital Expenditure	2	2,994	3,503	2,764	1,494	1,794	1,094	1,094	1,509	1,094	1,507	1,467	2,187	22,500	23,898	25,069



Table 8: Capital expenditure by Standard Classification

FS181 Masilonyana - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard											
<i>Governance and administration</i>		100	3,128	23,416	250	2,700	2,700	-	1,125	1,195	1,253
Executive and council		100	2,111	21,343				-	1,125	1,195	1,253
Budget and treasury office		-		-		200	200	-			
Corporate services			1,017	2,073	250	2,500	2,500	-			
<i>Community and public safety</i>		5,450	-	-	6,320	6,404	6,404	-	4,026	5,703	2,157
Community and social services		1,650			497	1,342	1,342		1,726	3,703	157
Sport and recreation		3,800			5,823	5,062	5,062	-	2,300	2,000	2,000
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		12,591	-	-	24,195	31,404	31,404	-	15,646	16,843	18,868
Planning and development											
Road transport		12,591			24,195	31,404	31,404	-	15,646	16,843	18,868
Environmental protection											
<i>Trading services</i>		18,920	62,124	63,515	3,025	7,471	7,471	-	1,703	157	2,790
Electricity			197		2,310	1,847	1,847				
Water		7,582	61,816	63,515	715	5,234	5,234	-	394		2,790
Waste water management		9,238	111			390	390				
Waste management		2,100							1,309	157	
<i>Other</i>											
Total Capital Expenditure - Standard	3	37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069

In the 2016/2017 an amount of R15, 6 million has been appropriated for the economic and environment which represents 70 percent of the total capital budget followed by the Community and Public safety with an amount of R4, 02 million which represent 1.8 percent and trading services and other for R2, 8 million which represent 1.2 percent of the total capital budget.

Expenditure in new assets represents R11, 5 million of the total capital budget while asset renewal equates to R10, 9 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table SA 34(a) and (b) and A9 (Asset Management) of the MBRR.

In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

Some of the salient projects to be undertaken over the medium-term includes amongst others:



Table 9: Capital Budget per Infrastructure Type

MIG reference no		Status of the project	Budget	MIG Value
	PMU	Ongoing	1,125,000.00	1,125,000.00
MIG/FS/0655/W/08/09	Soutpan/Ikgomotseng Provision of 1Ml storage reservoir	Design & Tender	-	3,278,090.00
MIG/FS/0657/W/08/09	Soutpan/Ikgomotseng: Water Treatment Plant	Retention	153,592.24	15,063,590.00
MIG/FS/0748/CF/09/10	Brandfort: Construction of sports centre	Retention	800,000.00	21,322,132.00
MIG/FS/0842/SW/11/11	Brandfort/Majwemasweu : Upgrading of the Waste Disposal Site	Construction	1,309,250.18	3,974,492.00
MIG/FS1080/CF/15/17	Masilo: Refurbishment of sport facility (MIS:233721)	Construction	1,500,000.00	12,196,388.00
MIG/FS1081/ST/15/17	Masilo: Construction of 3.5km lined storm water channel (MIS:233705)	Construction	2,544,152.00	5,264,152.00
MIG/FS1082/R,ST/15/17	Masilo: Construction of 1km paved road and storm water (MIS:233700)	Retention	373,302.94	9,018,161.00
MIG/FS1110/W/16/18	Theunissen/Masilo: Refurbishment of the concrete reservoir tower (MIS:238918)	Retention	240,000.00	4,745,250.00
MIG/FS1121/R,ST/16/17	Brandfort/Majwemasweu : Construction of 1km block paving road and storm water (MIS:240012)	Construction	4,313,454.20	9,018,161.00
MIG/FS1122/R,ST/16/17	Masilo/Theunissen: Upgrading of 1km soil road to block paving – phase 2 (MIS:241645)	Construction	8,415,176.75	9,018,161.00
	Majwemasweu: Fencing of cemetery and construction of ablution facilities	Construction	1,726,071.69	3,098,063.43
MIG/FS1122/R,ST/16/17	Masilo/Theunissen: Upgrading of 1km soil road to block paving – phase 2 (MIS:241645)	Construction	8,415,176.75	9,018,161.00
	Total		22 500 000.00	97 121 640.43



1.5 Annual Budget Tables

The following pages present the ten 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 budget and MTREF as approved by Council. Each table is accompanied by explanatory notes on the facing page.



Table10: MBRR A1-Consolidated Budget Summary

FS181 Masilonyana - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	15,076	15,478	16,586	18,947	33,528	33,528	-	30,313	37,956	39,901
Service charges	65,300	64,128	66,260	82,361	92,708	92,708	-	99,137	105,284	111,496
Investment revenue	27	316	384	399	500	500	-	530	563	593
Transfers recognised - operational	80,939	87,422	90,147	92,163	92,163	92,163	-	92,334	84,624	89,646
Other own revenue	23,617	8,660	5,072	11,196	11,464	11,464	-	5,789	6,421	7,115
Total Revenue (excluding capital transfers and contributions)	184,959	176,004	178,448	205,066	230,363	230,363	-	228,103	234,848	248,751
Employee costs	39,408	62,653	72,549	55,441	61,173	61,173	-	70,623	71,498	72,604
Remuneration of councillors	4,433	5,439	4,939	4,936	4,786	4,786	-	5,092	5,459	5,835
Depreciation & asset impairment	37,750	28,812	25,141	30,460	30,460	30,460	-	32,287	34,160	36,141
Finance charges	1,085	1,657	4,794	2,882	1,544	1,544	-	1,636	1,731	1,831
Materials and bulk purchases	39,664	38,035	40,569	84,141	75,130	75,130	-	53,507	56,828	69,534
Transfers and grants	15,201	-	-	15,524	15,524	15,524	-	-	-	-
Other expenditure	59,802	134,601	70,072	50,520	53,568	53,568	-	64,959	65,172	62,805
Total Expenditure	197,344	271,196	218,063	243,903	242,186	242,186	-	228,104	234,848	248,751
Surplus/(Deficit)	(12,385)	(95,192)	(39,615)	(38,837)	(11,823)	(11,823)	-	(0)	0	0
Transfers recognised - capital	-	59,856	73,743	25,230	34,130	34,130	-	22,500	23,898	25,069
Contributions recognised - capital & contributed assets	-	-	-	8,560	14,349	14,349	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(12,385)	(35,336)	34,128	(5,047)	36,656	36,656	-	22,500	23,898	25,069
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(12,385)	(35,336)	34,128	(5,047)	36,656	36,656	-	22,500	23,898	25,069
Capital expenditure & funds sources										
Capital expenditure	37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069
Transfers recognised - capital	33,211	61,928	63,515	25,230	34,130	34,130	-	22,500	23,898	25,069
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	3,850	3,324	23,416	8,560	13,849	13,849	-	-	-	-
Total sources of capital funds	37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069
Financial position										
Total current assets	63,022	14,720	39,634	50,361	50,361	50,361	-	30,834	32,622	34,538
Total non current assets	565,003	601,445	694,755	653,090	653,090	653,090	-	692,275	732,427	774,908
Total current liabilities	63,634	83,053	114,569	36,570	36,570	36,570	-	23,566	23,564	21,854
Total non current liabilities	20,665	21,941	38,285	2,976	2,976	2,976	-	39,081	3,337	3,531
Community wealth/Equity	543,726	511,172	581,536	663,906	663,906	663,906	-	696,389	738,148	784,062
Cash flows										
Net cash from (used) operating	32,791	62,273	85,444	19,379	1,928	1,928	-	46,600	36,452	27,325
Net cash from (used) investing	(25,830)	(63,141)	(70,465)	(21,346)	(33,796)	(33,796)	-	(22,500)	(23,898)	(25,069)
Net cash from (used) financing	(1,950)	(1,853)	(878)	(739)	(739)	(739)	-	(736)	(877)	(933)
Cash/cash equivalents at the year end	6,299	3,578	17,680	7,090	(32,607)	(32,607)	-	23,364	35,042	36,365
Cash backing/surplus reconciliation										
Cash and investments available	6,387	3,578	17,775	7,605	7,605	7,605	-	8,061	8,529	9,024
Application of cash and investments	39,322	75,564	101,062	5,845	17,038	17,038	-	7,128	6,778	4,081
Balance - surplus (shortfall)	(32,935)	(71,986)	(83,287)	1,760	(9,433)	(9,433)	-	933	1,751	4,942
Asset management										
Asset register summary (WDV)	539,078	601,354	694,658	652,643	155,707	155,707	657,080	657,080	661,625	666,435
Depreciation & asset impairment	37,750	28,812	25,141	30,460	30,460	30,460	32,287	32,287	34,160	36,141
Renewal of Existing Assets	-	-	-	-	-	-	-	10,955	3,056	6,444
Repairs and Maintenance	8,333	6,227	6,129	19,803	8,812	8,812	10,394	10,394	11,142	11,911
Free services										
Cost of Free Basic Services provided	-	-	-	7,667	7,667	7,667	8,173	8,173	8,680	9,192
Revenue cost of free services provided	-	-	-	3,581	3,581	3,581	3,817	3,817	4,054	4,293
Households below minimum service level										
Water:	0	0	0	0	0	-	0	0	0	0
Sanitation/sewerage:	-	-	-	2	2	-	2	2	2	2
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	1	1	-	2	2	-	-	-	-	-



Explanatory notes to MBRR Table A1 - Budget Summary

- a. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance);
- b. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs;
- c. Financial management reforms emphasises the importance of the municipal budget being funded. 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;
- d. After all consultation with the community and the provincial government and Provincial Treasury, the municipality has budgeted for a balanced budget which will force the municipality to better manage the cash-flow and also radically implement the cost containment measures from 1 July 2016 over the MTREF;
- e. Capital expenditure is balanced by capital funding sources funded by National Government.
- f. Internally generated funds were not budgeted for, due to the collection rate of 45 percent. The municipality will budget for capital project when it gains its financial muscle, this can only be realised at 2016/2017 financial year end.
- g. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/2017, when a small surplus is reflected; and
- h. 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 community and the poor. The section of Free Services shows that the amount spent on Free Basic Services 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. It is anticipated that by 2016/17 the water backlog will have been very nearly eliminated.



Table 11: MBRR A-2 Consolidated Budget Financial Performance (Revenue and Expenditure by Standard Classification)

FS181 Masilonyana - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		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
Revenue - Standard	1									
<i>Governance and administration</i>		72,760	171,992	186,198	45,270	137,655	137,655	57,725	65,011	60,877
Executive and council		41,113	147,282	163,894	12,616	-	-	10,786	11,436	12,129
Budget and treasury office		31,647	24,710	22,304	32,404	137,655	137,655	40,964	48,015	42,866
Corporate services		-	-	-	250	-	-	5,975	5,560	5,882
<i>Community and public safety</i>		240	-	-	25,623	-	-	10,878	12,206	14,396
Community and social services		111	-	-	14,644	-	-	2,765	3,806	5,216
Sport and recreation		-	-	-	8,541	-	-	5,305	5,668	6,055
Public safety		81	-	-	1,316	-	-	1,642	1,487	1,794
Housing		49	-	-	1,122	-	-	1,166	1,246	1,331
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		2,306	-	-	28,874	48,479	48,479	50,955	45,169	42,649
Planning and development		-	-	-	3,229	-	-	2,415	2,486	2,631
Road transport		2,306	-	-	25,645	48,479	48,479	48,540	42,683	40,018
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		109,653	63,868	65,993	139,090	92,709	92,709	108,545	112,462	130,481
Electricity		34,746	20,119	20,864	50,996	28,626	28,626	33,730	34,907	41,317
Water		31,824	17,992	19,167	32,248	32,606	32,606	31,901	34,729	38,790
Waste water management		25,627	17,505	17,567	31,427	19,484	19,484	22,770	21,593	27,988
Waste management		17,457	8,252	8,394	24,419	11,993	11,993	20,145	21,232	22,387
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	184,959	235,860	252,191	238,857	278,843	278,843	228,103	234,848	248,403
Expenditure - Standard										
<i>Governance and administration</i>		87,218	233,161	177,494	55,633	180,821	180,821	53,181	74,933	80,430
Executive and council		20,813	5,439	4,939	10,041	4,786	4,786	16,917	19,008	20,276
Budget and treasury office		55,191	225,947	171,966	32,703	176,035	176,035	19,143	27,524	30,105
Corporate services		11,214	1,776	590	12,889	-	-	17,121	28,402	30,050
<i>Community and public safety</i>		19,850	-	-	16,861	-	-	28,883	24,578	26,057
Community and social services		5,693	-	-	11,705	-	-	18,726	15,670	16,608
Sport and recreation		10,140	-	-	2,718	-	-	5,666	4,965	5,284
Public safety		502	-	-	1,316	-	-	3,208	2,663	2,798
Housing		3,516	-	-	1,122	-	-	1,284	1,280	1,367
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		15,107	6,227	6,130	31,750	-	-	32,360	34,219	36,255
Planning and development		-	-	-	2,101	-	-	2,915	2,486	2,631
Road transport		15,107	6,227	6,130	29,649	-	-	29,445	31,733	33,625
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		75,168	31,808	34,439	151,627	66,318	66,318	113,679	101,117	105,660
Electricity		36,436	27,956	29,676	75,580	60,958	60,958	40,472	31,711	36,215
Water		24,201	3,853	4,763	35,024	5,360	5,360	33,443	32,388	34,471
Waste water management		9,098	-	-	26,739	-	-	21,791	22,942	21,170
Waste management		5,434	-	-	14,284	-	-	17,973	14,077	13,804
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	197,343	271,196	218,063	255,871	247,139	247,139	228,103	234,848	248,403
Surplus/(Deficit) for the year		(12,385)	(35,336)	34,128	(17,014)	31,704	31,704	0	(0)	0

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- a. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile „whole of government“ reports;



- b. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. However the expenditure are higher than the revenue as a result of the Debt impairment and Depreciation and assets impairment which are non-cash items. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure; and

- c. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Finance and Admin.



Table 12: MBRR A-3 Consolidated Budgeted Financial Performance By Municipal Vote.

FS181 Masilonyana - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		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
Revenue by Vote										
Vote 1 - Executive and Council	1	41,113	147,282	163,894	12,866	-	-	16,761	16,996	18,011
Vote 2 - Finance and Admin		31,647	24,710	22,304	32,404	137,655	137,655	40,964	48,015	42,866
Vote 3 - Community Facilities		111	-	-	14,644	-	-	2,765	3,806	5,216
Vote 4 - Housing		49	-	-	1,122	-	-	1,166	1,246	1,331
Vote 5 - Public Safety		81	-	-	1,316	-	-	1,642	1,487	1,794
Vote 6 - Sports & Recreation		-	-	-	8,541	-	-	5,305	5,668	6,055
Vote 7 - REFUSE		17,457	8,252	8,394	24,419	11,993	11,993	20,145	21,232	22,387
Vote 8 - Waste Water Management		25,627	17,505	17,567	31,427	19,484	19,484	22,770	21,593	27,988
Vote 9 - Roads and Transport		2,306	-	-	25,645	48,479	48,479	48,540	42,683	40,018
Vote 10 - Water		31,824	17,992	19,167	32,248	32,606	32,606	31,901	34,729	38,790
Vote 11 - Electricity		34,746	20,119	20,864	50,996	28,626	28,626	33,730	34,907	41,317
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	3,229	-	-	2,415	2,486	2,631
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	184,960	235,860	252,191	238,857	278,843	278,843	228,103	234,848	248,403
Expenditure by Vote to be appropriated										
Vote 1 - Executive and Council	1	32,027	7,215	5,529	22,930	4,786	4,786	34,038	47,409	50,325
Vote 2 - Finance and Admin		55,191	225,947	171,966	32,703	176,035	176,035	19,143	27,524	30,105
Vote 3 - Community Facilities		5,693	-	-	11,705	-	-	19,726	15,670	16,608
Vote 4 - Housing		3,516	-	-	1,122	-	-	1,284	1,280	1,367
Vote 5 - Public Safety		502	-	-	1,316	-	-	3,208	2,663	2,798
Vote 6 - Sports & Recreation		10,140	-	-	2,718	-	-	4,666	4,965	5,284
Vote 7 - REFUSE		5,434	-	-	14,284	-	-	17,973	14,077	13,804
Vote 8 - Waste Water Management		9,098	-	-	26,739	-	-	21,791	22,942	21,170
Vote 9 - Roads and Transport		15,107	6,227	6,130	29,649	-	-	29,445	31,733	33,625
Vote 10 - Water		24,201	3,853	4,763	35,024	5,360	5,360	33,443	32,388	34,471
Vote 11 - Electricity		36,436	27,956	29,676	75,580	60,958	60,958	40,472	31,711	36,215
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	2,101	-	-	2,915	2,486	2,631
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	197,344	271,196	218,063	255,870	247,139	247,139	228,103	234,848	248,403
Surplus/(Deficit) for the year	2	(12,385)	(35,336)	34,128	(17,013)	31,704	31,704	(0)	(0)	0

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- a. Table A3 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 organisational structure of Masilonyana Local Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.



Table 14: MBRR A-4 Consolidated Budgeted Financial Performance (Revenue and Expenditure by type)

FS181 Masilonyana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	15,076	15,478	16,586	18,947	33,528	33,528	-	30,313	37,956	39,901
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	21,818	20,119	20,864	27,437	28,626	28,626	-	30,825	32,737	34,668
Service charges - water revenue	2	15,756	17,992	19,167	23,448	32,606	32,606	-	34,758	36,913	39,091
Service charges - sanitation revenue	2	18,290	17,505	17,567	19,484	19,484	19,484	-	20,769	22,057	23,359
Service charges - refuse revenue	2	9,437	8,252	8,394	11,993	11,993	11,993	-	12,785	13,577	14,378
Service charges - other			260	267							
Rental of facilities and equipment		159	244	241	196	264	264		280	297	316
Interest earned - external investments		27	316	384	399	500	500		530	563	593
Interest earned - outstanding debtors		2,998	8,216	4,721	4,597	4,597	4,597		4,563	5,119	5,733
Dividends received		26	5	5	5	5	5		5	6	6
Fines		81	16	43	11	111	111		875	929	987
Licences and permits		-	-	-	-	-	-		-	-	-
Agency services		-	-	-	-	-	-		-	-	-
Transfers recognised - operational		80,939	87,422	90,147	92,163	92,163	92,163		92,334	84,624	89,646
Other revenue	2	20,354	179	62	6,053	6,153	6,153	-	66	70	74
Gains on disposal of PPE					334	334	334				
Total Revenue (excluding capital transfers and contributions)		184,959	176,004	178,448	205,066	230,363	230,363	-	228,103	234,848	248,751
Expenditure By Type											
Employee related costs	2	39,408	62,653	72,549	55,441	61,173	61,173	-	70,623	71,498	72,604
Remuneration of councillors		4,433	5,439	4,939	4,936	4,786	4,786		5,092	5,459	5,835
Debt impairment	3	25,890	93,111	29,493	27,683	27,683	27,683		32,380	32,866	32,847
Depreciation & asset impairment	2	37,750	28,812	25,141	30,460	30,460	30,460	-	32,287	34,160	36,141
Finance charges		1,085	1,657	4,794	2,882	1,544	1,544		1,636	1,731	1,831
Bulk purchases	2	39,664	31,808	34,439	66,318	66,318	66,318	-	43,113	45,790	58,427
Other materials	8		6,227	6,130	17,823	8,812	8,812		10,394	11,038	11,107
Contracted services		400	-	-	4,155	2,100	2,100	-	2,000	582	616
Transfers and grants		15,201	-	-	15,524	15,524	15,524	-	-	-	-
Other expenditure	4, 5	33,513	41,490	40,579	18,681	23,785	23,785	-	30,579	31,724	29,343
Loss on disposal of PPE											
Total Expenditure		197,344	271,196	218,063	243,903	242,186	242,186	-	228,104	234,848	248,751
Surplus/(Deficit)		(12,385)	(95,192)	(39,615)	(38,837)	(11,823)	(11,823)	-	(0)	0	0
Transfers recognised - capital			59,856	73,743	25,230	34,130	34,130		22,500	23,898	25,069
Contributions recognised - capital	6	-	-	-	-	-	-		-	-	-
Contributed assets					8,560	14,349	14,349				
Surplus/(Deficit) after capital transfers & contributions		(12,385)	(35,336)	34,128	(5,047)	36,656	36,656	-	22,500	23,898	25,069
Taxation											
Surplus/(Deficit) after taxation		(12,385)	(35,336)	34,128	(5,047)	36,656	36,656	-	22,500	23,898	25,069
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(12,385)	(35,336)	34,128	(5,047)	36,656	36,656	-	22,500	23,898	25,069
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(12,385)	(35,336)	34,128	(5,047)	36,656	36,656	-	22,500	23,898	25,069



Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

- a. Total revenue is R228, 1 billion in 2016/2017, R234, 8 million and R248, 7 million in 2017/2018 and 2018/2019 respectively.
- b. Revenue to be generated from property rates is R30, 3 million for 2016/2017 which represents 13% of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R99, 1 million for the 2016/2017.
- c. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government



Table 15: MBRR A5 Consolidated Budgeted Capital Expenditure by Vote

FS181 Masilonyana - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Admin		-	-	-	-	-	-	-	-	-	-
Vote 3 - Community Facilities		-	-	-	-	-	-	-	-	-	-
Vote 4 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 7 - REFUSE		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Roads and Transport		-	-	-	-	-	-	-	-	-	-
Vote 10 - Water		-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		100	3,128	23,416	250	2,500	2,500	-	1,125	1,195	1,253
Vote 2 - Finance and Admin		-	-	-	-	200	200	-	-	-	-
Vote 3 - Community Facilities		1,650	-	-	497	1,342	1,342	-	1,726	3,703	157
Vote 4 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Sports & Recreation		3,800	-	-	5,823	5,062	5,062	-	2,300	2,000	2,000
Vote 7 - REFUSE		2,100	-	-	-	-	-	-	1,309	157	-
Vote 8 - Waste Water Management		9,238	111	-	-	390	390	-	-	-	-
Vote 9 - Roads and Transport		12,591	-	-	24,195	31,404	31,404	-	15,646	16,843	18,868
Vote 10 - Water		7,582	61,816	63,515	715	5,234	5,234	-	394	-	2,790
Vote 11 - Electricity		-	197	-	2,310	1,847	1,847	-	-	-	-
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069
Total Capital Expenditure - Vote		37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069
Capital Expenditure - Standard											
Governance and administration		100	3,128	23,416	250	2,700	2,700	-	1,125	1,195	1,253
Executive and council		100	2,111	21,343	-	-	-	-	1,125	1,195	1,253
Budget and treasury office		-	-	-	-	200	200	-	-	-	-
Corporate services		-	1,017	2,073	250	2,500	2,500	-	-	-	-
Community and public safety		5,450	-	-	6,320	6,404	6,404	-	4,026	5,703	2,157
Community and social services		1,650	-	-	497	1,342	1,342	-	1,726	3,703	157
Sport and recreation		3,800	-	-	5,823	5,062	5,062	-	2,300	2,000	2,000
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		12,591	-	-	24,195	31,404	31,404	-	15,646	16,843	18,868
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		12,591	-	-	24,195	31,404	31,404	-	15,646	16,843	18,868
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		18,920	62,124	63,515	3,025	7,471	7,471	-	1,703	157	2,790
Electricity		-	197	-	2,310	1,847	1,847	-	-	-	-
Water		7,582	61,816	63,515	715	5,234	5,234	-	394	-	2,790
Waste water management		9,238	111	-	-	390	390	-	-	-	-
Waste management		2,100	-	-	-	-	-	-	1,309	157	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069
Funded by:											
National Government		25,211	61,928	63,515	25,230	34,130	34,130	-	22,500	23,898	25,069
Provincial Government		8,000	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	33,211	61,928	63,515	25,230	34,130	34,130	-	22,500	23,898	25,069
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		3,850	3,324	23,416	8,560	13,849	13,849	-	-	-	-
Total Capital Funding	7	37,061	65,252	86,931	33,790	47,979	47,979	-	22,500	23,898	25,069



Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- a. Table A5 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.
- b. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. All capital projects falls under the single year capital
- c. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- d. The capital programme is funded from capital and national grants and transfers.



Table 16: MBRR A6 consolidated Budgeted Financial Position

FS181 Masilonyana - Table A6 Budgeted Financial Position											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash		6,299	3,578	17,680	3,786	3,786	3,786		4,013	4,246	4,492
Call investment deposits	1	-	-	-	3,723	3,723	3,723	-	3,947	4,176	4,418
Consumer debtors	1	40,792	7,497	21,451	42,837	42,837	42,837	-	22,858	24,184	25,610
Other debtors		15,925	3,596	475							
Current portion of long-term receivables											
Inventory	2	7	49	29	15	15	15		16	17	18
Total current assets		63,022	14,720	39,634	50,361	50,361	50,361	-	30,834	32,622	34,538
Non current assets											
Long-term receivables			91			-	-		-	-	-
Investments		88		96	96	96	96		102	108	114
Investment property		70,735	69,885	69,034	73,938	73,938	73,938		78,374	82,920	87,729
Investment in Associate											
Property, plant and equipment	3	494,180	531,469	625,625	579,056	579,056	579,056	-	613,799	649,399	687,065
Agricultural											
Biological											
Intangible											
Other non-current assets											
Total non current assets		565,003	601,445	694,755	653,090	653,090	653,090	-	692,275	732,427	774,908
TOTAL ASSETS		628,025	616,165	734,389	703,451	703,451	703,451	-	723,109	765,049	809,446
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	1,778	854	430	787	787	787	-	834	883	934
Consumer deposits		1,065	1,136	1,262	1,202	1,202	1,202		1,282	1,361	1,441
Trade and other payables	4	60,791	81,062	112,260	34,580	34,580	34,580	-	21,450	21,320	19,478
Provisions				617							
Total current liabilities		63,634	83,053	114,569	36,570	36,570	36,570	-	23,566	23,564	21,854
Non current liabilities											
Borrowing		3,741	2,813	2,359	2,976	2,976	2,976	-	3,154	3,337	3,531
Provisions		16,923	19,128	35,926	-	-	-	-	-	-	-
Total non current liabilities		20,665	21,941	38,285	2,976	2,976	2,976	-	3,154	3,337	3,531
TOTAL LIABILITIES		84,299	104,994	152,853	39,545	39,545	39,545	-	26,720	26,901	25,385
NET ASSETS	5	543,726	511,172	581,536	663,906	663,906	663,906	-	696,389	738,148	784,062
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		543,726	511,172	581,536	663,906	663,906	663,906	-	696,389	738,148	784,062
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	543,726	511,172	581,536	663,906	663,906	663,906	-	696,389	738,148	784,062

Explanatory notes to Table A6 - Budgeted Financial Position

- 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 (balance sheet);
- 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.



- c. This is supported by an extensive table of notes (SA3) 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; and
 - Reserves
- d. 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.
- e. 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.



Table 17: MBRR A7 Consolidated Budgeted Cash Flow

FS181 Masilonyana - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges					15,491	10,911	10,911		19,703	20,925	22,159
Service charges		23,553	34,403	39,797	58,860	44,075	44,075		64,238	68,220	72,245
Other revenue		55	16	43	888	1,263	1,263		794	843	893
Government - operating	1	127,638	136,937	180,507	92,163	92,163	92,163		92,334	84,624	89,656
Government - capital	1				25,230	34,130	34,130		22,500	23,898	25,069
Interest		13,725	8,531	5,105	4,597	5,097	5,097		3,512	3,730	3,950
Dividends			5	5	5	5	5		-	-	-
Payments											
Suppliers and employees		(131,095)	(116,549)	(136,467)	(155,096)	(164,295)	(164,295)		(154,844)	(164,050)	(184,813)
Finance charges		(1,085)	(1,071)	(3,545)	(2,882)	(1,544)	(1,544)		(1,636)	(1,737)	(1,833)
Transfers and Grants	1				(19,878)	(19,878)	(19,878)		-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		32,791	62,273	85,444	19,379	1,928	1,928	-	46,600	36,452	27,325
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					334	334	334		-	-	-
Decrease (increase) in non-current debtors					3,550				-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(25,830)	(63,141)	(70,465)	(25,230)	(34,130)	(34,130)		(22,500)	(23,898)	(25,069)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(25,830)	(63,141)	(70,465)	(21,346)	(33,796)	(33,796)	-	(22,500)	(23,898)	(25,069)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		(1,950)							-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing			(1,853)	(878)	(739)	(739)	(739)		(736)	(877)	(933)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,950)	(1,853)	(878)	(739)	(739)	(739)	-	(736)	(877)	(933)
NET INCREASE/ (DECREASE) IN CASH HELD		5,011	(2,721)	14,101	(2,706)	(32,607)	(32,607)	-	23,364	11,677	1,323
Cash/cash equivalents at the year begin:	2	1,287	6,299	3,578	9,796				-	23,364	35,042
Cash/cash equivalents at the year end:	2	6,299	3,578	17,680	7,090	(32,607)	(32,607)	-	23,364	35,042	36,365

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- The approved 2016/2017 MTREF provide for a net increase in cash of R23,3 million for the 2016/2017 financial year resulting in an overall projected positive cash position at the end of the year
- The 2016/2017 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term; and.
- Cash and cash equivalents totals to a positive R23, 3 million as at the end of the 2016/2017 financial year due to the measures that the municipality are going to implement.



Table 18: MBRR A8 Consolidated Cash Backed Accumulated Surplus Reconciliation

FS181 Masilonyana - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	6,299	3,578	17,680	7,090	(32,607)	(32,607)	-	23,364	35,042	36,365
Other current investments > 90 days		-	0	0	419	40,116	40,116	-	(15,404)	(26,620)	(27,455)
Non current assets - Investments	1	88	-	96	96	96	96	-	102	108	114
Cash and investments available:		6,387	3,578	17,775	7,605	7,605	7,605	-	8,061	8,529	9,024
Application of cash and investments											
Unspent conditional transfers		7,889	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	31,434	75,564	101,062	5,845	17,038	17,038	-	7,128	6,778	4,081
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		39,322	75,564	101,062	5,845	17,038	17,038	-	7,128	6,778	4,081
Surplus(shortfall)		(32,935)	(71,986)	(83,287)	1,760	(9,433)	(9,433)	-	933	1,751	4,942

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- a. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- b. 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.
- c. 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”. In Masilonyana Local Municipality’s case, there’s positive balance of R933 thousand for budget year, R1, 7 million for 2017/2018 and R4, 9 million for 2018/2019 respectively. Therefore this indicates that the municipality’s budget is funded.
- d. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
 - Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2016/17 MTREF was not funded owing to the significant deficit.
 - As part of the budgeting and planning guidelines that informed the compilation of the 2016/2017 MTREF the end objective of the medium-term framework was to ensure the budget is fully funded.



Table 19: MBRR A9 Consolidated Asset Measurement



MLM: FS181 BUDGET AND MTREF 2016-2017

FS181 Masilonyana - Table A9 Asset Management

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		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
CAPITAL EXPENDITURE										
Total New Assets	1	37,061	65,251	86,931	33,790	47,979	47,979	11,545	20,842	18,625
Infrastructure - Road transport		12,591	-	-	24,195	25,269	25,269	7,231	15,787	14,424
Infrastructure - Electricity		-	197	-	2,310	1,847	1,847	-	-	-
Infrastructure - Water		7,582	304	-	715	5,234	5,234	154	-	2,790
Infrastructure - Sanitation		9,238	111	-	-	390	390	-	-	-
Infrastructure - Other		2,200	61,512	63,515	-	6,135	6,135	1,309	157	-
Infrastructure		31,611	62,124	63,515	27,220	38,875	38,875	8,694	15,944	17,215
Community		5,450	-	-	6,320	6,404	6,404	1,726	3,703	157
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	3,127	23,416	250	2,700	2,700	1,125	1,195	1,253
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	10,955	3,056	6,444
Infrastructure - Road transport		-	-	-	-	-	-	8,415	1,056	4,444
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	240	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	8,655	1,056	4,444
Community		-	-	-	-	-	-	2,300	2,000	2,000
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4									
Infrastructure - Road transport		12,591	-	-	24,195	25,269	25,269	15,646	16,843	18,868
Infrastructure - Electricity		-	197	-	2,310	1,847	1,847	-	-	-
Infrastructure - Water		7,582	304	-	715	5,234	5,234	394	-	2,790
Infrastructure - Sanitation		9,238	111	-	-	390	390	-	-	-
Infrastructure - Other		2,200	61,512	63,515	-	6,135	6,135	1,309	157	-
Infrastructure		31,611	62,124	63,515	27,220	38,875	38,875	17,349	17,000	21,659
Community		5,450	-	-	6,320	6,404	6,404	4,026	5,703	2,157
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	3,127	23,416	250	2,700	2,700	1,125	1,195	1,253
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	37,061	65,251	86,931	33,790	47,979	47,979	22,500	23,898	25,069
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		8,391	103,837	128,162	229,603	49,464	49,464	229,603	229,603	229,603
Infrastructure - Electricity		-	25,330	25,029	4,830	4,157	4,157	4,830	4,830	4,830
Infrastructure - Water		7,582	115,190	119,539	268,144	5,949	5,949	268,144	268,144	268,144
Infrastructure - Sanitation		9,238	69,781	67,253	62,225	390	390	62,225	62,225	62,225
Infrastructure - Other		1,000	149,720	189,479	1,331	6,135	6,135	1,331	1,331	1,331
Infrastructure		26,211	463,858	529,462	566,133	66,095	66,095	566,133	566,133	566,133
Community		1,000	-	-	-	12,724	12,724	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		70,735	69,885	69,034	73,938	73,938	73,938	78,374	82,920	87,729
Other assets		441,132	67,611	96,162	12,572	2,950	2,950	12,572	12,572	12,572
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	539,078	601,354	694,658	652,643	155,707	155,707	657,080	661,625	666,435
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		37,750	28,812	25,141	30,460	30,460	30,460	32,287	34,160	36,141
Repairs and Maintenance by Asset Class	3	8,333	6,227	6,129	19,803	8,812	8,812	10,394	11,142	11,911
Infrastructure - Road transport		845	-	-	7,126	3,126	3,126	3,332	3,539	3,747
Infrastructure - Electricity		628	-	921	3,002	1,672	1,672	1,783	1,898	2,010
Infrastructure - Water		3,136	-	33	2,055	2,055	2,191	2,327	2,464	
Infrastructure - Sanitation		-	-	21	5,594	1,959	1,959	2,088	2,217	1,767
Infrastructure - Other		1,452	-	377	-	-	-	-	-	-
Infrastructure		6,061	-	1,352	17,777	8,812	8,812	9,394	9,980	9,988
Community		203	-	3,513	-	-	-	1,000	862	1,606
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	2,069	6,227	1,264	2,026	-	-	-	300	317
TOTAL EXPENDITURE OTHER ITEMS		46,083	35,039	31,270	50,263	39,272	39,272	42,681	45,303	48,052
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	48.7%	12.8%	25.7%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.9%	8.9%	17.8%
R&M as a % of PPE		1.7%	1.2%	1.0%	3.4%	1.5%	1.5%	1.7%	1.7%	1.7%
Renewal and R&M as a % of PPE		2.0%	1.0%	1.0%	3.0%	6.0%	6.0%	3.0%	2.0%	3.0%



Explanatory notes to Table A9 - Asset Management

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 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not meet the repairs and maintenance recommendation as there's only 4, 7 percent budgeted for in 2016/2017 financial year, 3, 7 percent and 4, 7 percent in 2017/2018 and 2018/2019 respectively. The municipality cannot afford 8 percent of the PPE totals which amounts to R657, 0 million. 8 percent of that would equal to R52, 6 million which the municipality cannot afford looking at the low collection rate.



MLM: FS181 BUDGET AND MTREF 2016-2017

Table 20: MBRR consolidated Basic Service Delivery Measurement

FS181 Masilonyana - Table A10 Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets										
Water:										
Piped water inside dwelling	1	4,843	4,843	15,000	15,000	15,000	-	11,297	11,297	11,297
Piped water inside yard (but not in dwelling)		8,048	8,048	3,145	3,145	3,145	-	18,829	18,829	18,829
Using public tap (at least min.service level)	2	-	-	1,009	1,309	1,309	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	7,532	7,532	7,532
<i>Minimum Service Level and Above sub-total</i>		12,891	12,891	19,154	19,454	19,454	-	37,658	37,658	37,658
Using public tap (< min.service level)	3	8	8	19	19	19	-	19	19	19
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		8	8	19	19	19	-	19	19	19
Total number of households	5	12,899	12,899	19,173	19,473	19,473	-	37,677	37,677	37,677
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		12,404	12,404	14,662	14,662	14,662	-	14,762	14,762	14,762
Flush toilet (with septic tank)		-	-	572	572	572	-	572	572	572
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	1,629	1,629	1,629	-	1,529	1,529	1,529
<i>Minimum Service Level and Above sub-total</i>		12,404	12,404	16,863	16,863	16,863	-	16,863	16,863	16,863
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	1,629	1,629	-	1,529	1,529	1,529
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	1,629	1,629	-	1,529	1,529	1,529
Total number of households	5	12,404	12,404	16,863	18,492	18,492	-	18,392	18,392	18,392
Energy:										
Electricity (at least min.service level)		9,383	9,383	300	-	-	-	2,918	2,918	2,918
Electricity - prepaid (min.service level)		-	-	-	14,683	14,683	-	11,695	11,695	11,695
<i>Minimum Service Level and Above sub-total</i>		9,383	9,383	300	14,683	14,683	-	14,613	14,613	14,613
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	9,383	9,383	300	14,683	14,683	-	14,613	14,613	14,613
Refuse:										
Removed at least once a week		16,456	16,456	-	18,282	18,282	-	18,554	18,554	18,554
<i>Minimum Service Level and Above sub-total</i>		16,456	16,456	-	18,282	18,282	-	18,554	18,554	18,554
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		1,139	1,139	-	1,795	1,795	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		1,139	1,139	-	1,795	1,795	-	-	-	-
Total number of households	5	17,595	17,595	-	20,077	20,077	-	18,554	18,554	18,554
Households receiving Free Basic Service										
Water (6 kilolitres per household per month)	7	4,615	4,615	4,615	5,242	5,242	5,242	5,242	5,598	5,979
Sanitation (free minimum level service)		4,615	4,615	4,615	5,242	5,242	5,242	5,242	5,598	5,979
Electricity/other energy (50kwh per household per month)		4,615	4,615	4,615	5,242	5,242	5,242	5,242	5,598	5,979
Refuse (removed at least once a week)		4,615	4,615	4,615	5,242	5,242	5,242	5,242	5,598	5,979
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)	8	-	-	-	3,158	3,158	3,158	3,366	3,575	3,786
Sanitation (free sanitation service to indigent households)		-	-	-	2,136	2,136	2,136	2,277	2,418	2,561
Electricity/other energy (50kwh per indigent household per month)		-	-	-	1,189	1,189	1,189	1,267	1,346	1,425
Refuse (removed once a week for indigent households)		-	-	-	1,184	1,184	1,184	1,262	1,340	1,419
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		-	-	-	7,667	7,667	7,667	8,173	8,680	9,192
Highest level of free service provided per household										
Property rates (R value threshold)		15,000	15,000	15,000	15,000	15,000	-	15,000	15,000	15,000
Water (kilolitres per household per month)	6	6	6	6	6	6	-	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-	-	102	102	-	109	116	123
Electricity (kwh per household per month)		-	-	-	88	88	-	133	142	150
Refuse (average litres per week)		-	-	-	60	60	-	60	60	60
Revenue cost of subsidised services provided (R'000)										
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	9	-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		-	-	-	3,581	3,581	3,581	3,817	4,054	4,293
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided		-	-	-	3,581	3,581	3,581	3,817	4,054	4,293



Explanatory notes to Table A10 - Basic Service Delivery Measurement

- a. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services;
- b. The budget provides for 5242 households to be registered as indigent in 2016/2017, and therefore entitled to receiving Free Basic Services. The number is set to increase given the rapid rate of job losses or unemployment.
- c. It is anticipated that these Free Basic Services will cost the municipality over R 11, 9 million in 2016/2017. This is covered by the municipality's equitable share allocation from national government; and
- d. In terms of the 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.

Part 2 – SUPPORTING DOCUMENTATION

Section 53 of the Municipal Finance Management Act 2003 (No. 56 of 2003) requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Municipal Finance Management Act; 2003(No. 56 of 2003)

2.1 IDP and Service Delivery and Budget Implementation Plan

The Municipality's Integrated Development Plan (IDP) is its principal strategic planning instrument which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.



The IDP has been taken into a business and financial planning process leading up to the 2016/2017 MTREF, based on the approved 2015/2016 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

During the compilation of the 2016/2017 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/2016 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.1 Community Consultation

The 2016/2017 MTREF is scheduled to be tabled in 31 May 2016 for consideration. The BPP was tabled before council in July 2015 where the activities of the 2016/2017 were presented. Council must take note although this has been tabled, some activities were not done in line with the plan due to various reasons, lack of proper communication, venues and non-attendance in some areas even after re-scheduling the meeting. An amended BPP is tabled together with these reports for council approval

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the Municipal Finance Management Act, as evidence that the budget processes and public participation indeed took place.

2.2 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/2017 MTREF, extensive financial modelling was undertaken to ensure affordability in the long-term and financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/2017 MTREF:

- The municipality growth;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns);
- Performance trends;
- The approved 2015/2016 adjustments budget and performance against the SDBIP;
- Cash Flow Management Strategy;
- Debtor payment levels;
- Loan and investment possibilities;
- The need for tariff increases versus the ability of the community to pay for services; and
- Improved and sustainable service delivery



In addition to the above, the strategic guidance given in *National Treasury's Municipal Finance Management Act Circulars 51, 54, 68, 70 and 72* has been taken into consideration in the planning and prioritisation process.

2.3 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of

Office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget.

An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development.

Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by the municipality correlates with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality's strategically complies with the key national and provincial priorities. The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipalities response to these requirements. The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;



- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

The following highlights the IDP's five strategic objectives for the 2016/2017 MTREF and further planning refinements that have directly informed the compilation of the budget;

Build better communities and good governance - Strive to build a united, non-racial, non-sexiest, competitive and prosperous community.

Enhance financial sustainability -Strategies to ensure financial stability by raising revenue strategies, asset management, and financial management, enhance cost effectiveness and capital investment programmes.

Accelerate an inclusive growing economy - Encouraging the creation of job opportunities, SMME's development, provide for proper service to all the resident, and land use management for all the community of Masilonyana and promote agricultural and tourism development.

Plan for the future

Masilonyana must create an environment conducive for economic growth through investments in socio economic infrastructure to trigger local economic growth and forge partnership with stakeholders to invest in the local economy.

Develop a learning organization

Masilonyana Municipality needs to acquire highly competent workforce to successfully implement its newly developed strategic intent. And has already took its workforce for vast training from Technical Services, for plant operations courses ABET, Municipal Finance Management Programme etc.

Establish effective and efficient services - Provide quality and sustainable electrical services, maintain road networks and storm water drainage system for all the community of



Masilonyana effective on-going water and sanitation services, waste -management services in an effective manner, and parks and cemetery development in order to protect human health and well-being environment as aligned to government and national key objectives

Enhance effective, accountable and clean institutional management and corporate, governance. Accelerated provision of effective, efficient and quality services and encourage cooperative governance and the involvement of all other stakeholders to provide a better life for all.

In order to ensure integrated and focused service delivery between all spheres of government, it was important for the Masilonyana Local Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- a. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide roads and storm water; and
 - Maintaining the infrastructure of the municipality.

- b. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan, LED strategy for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes; and
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

- c. Fight poverty and build clean, healthy, safe and sustainable communities through:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective municipal cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces



The 2016/2017 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 22: Reconciliation of IDP strategic objectives and budget (Revenue)



MLM: FS181 BUDGET AND MTREF 2016-2017

FS181 Masilonyana - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				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
R thousand												
To ensure that 100% of households in all formal settlement(s) around Masilonyana have access to clean (basic level) of water by July 2017	100% of access to basic level of water for formal settlements households, water infrastructure required to enable achievement of the strategic objective as measured in terms of performance targets. The percentage of households earning R 3 000 per month with access to free basic service			31,824	17,992	19,167	32,248	32,606	32,606	31,901	34,729	39,942
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	100% of households in formal settlements have access to basic level of sanitation. Sanitation infrastructure.			25,627	17,505	17,567	31,427	19,484	19,484	22,770	21,593	27,988
To ensure that identified internal roads in Masilonyana area are maintained and / or upgraded to facilitate economic and social activity required for the sustainable development of the municipality; thus implementing the current Infrastructure Master Plan	Repairing of tarred roads, Paving and re-gravelling of roads in accordance with the targets and projects indicated in the MTAS.			2,306			25,645	48,479	48,479	48,540	42,683	40,018
To create employment opportunities in Masilonyana Municipal Area; based on projects and programmes outlined in the IDP and Back to Basics document. To encourage the appropriate and effective use of land and	(Number of) Employment opportunities created through targeted IDP projects. No of employment created through EPWP. Implement SDF & LUS in accordance and compliance with SPLUMA.						3,229			2,415	2,486	2,631
To ensure good waste management in Masilonyana Municipality	Total of 5 landfill sites are licensed, and 4 landfill sites to be upgraded. 100% of households with access to refuse removal and service is at acceptable national standards.			17,457	8,252	8,394	24,419	11,993	11,993	20,145	21,232	22,387
To ensure effective management of graveyards and cemeteries in Masilonyana Municipal area & other community facilities	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masilonyana Municipal area. Adequate provision for new cemeteries			111			14,644			2,765	3,806	4,064
To ensure access to well maintained, quality sporting and parks & recreational facilities in Masilonyana Municipal area	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the						8,541			5,305	5,668	6,055
To ensure effective law enforcement management in Masilonyana municipal area	Adequate provision for traffic management and parking, as measured in terms of the targets set for programmes and project in the IDP. Adequate provision made for maintenance of traffic signs and soeed humos			81			1,316			1,642	1,487	1,794
Provide appropriate HR support to directrates, to ensure healthy & safe working environment for councilors & employes, ensure effective system of municipal governance in line with applicable legislation, promote fair labour practices, ensure effective & efficient fleet managemnt system, provide an integrated ICT system	Sustainable and continuous reports on HR development, continuous M&evaluation of Health & Safety committees, effective municipal governance, number of LLF meeting conducted, Effective fleet management, review and approval of ICT framework and policies						250			5,975	5,560	5,882
Adhere to all budget regulations, ensure that th municipality has an effective revenu collection system consistent with applicable regulation and	Policies reviewed, monitred, evaluated and approved by Council, developed, updated and approved indigent register, an			31,647	24,710	22,304	32,404	137,655	137,655	40,964	48,015	42,866
Ensure there's a performance driven institutional culture, ensure that MLM operates clear of anticipated risks of maladministration, fraud and corruption, improve internal controls for clean administration purpose by continuous implementation of policies legislation	Reviewed organizational PMS policy & framework, Risk assessment register, Internal audit reports on the implemetation of the annual risk based Internal audit Plan to A&PC									5,921	6,323	6,753
Improve community participation in the affairs of the Municipality	Number of public participation conducted on IDP			41,113	147,282	163,894	12,616			4,866	5,113	5,375
Maintain a legitimate database of human settlement and erven waiting list	Creation of world standard towns and cities by reducing informal settlements			49			1,122			1,166	1,246	1,331
Ensure that 100% of households in MLM area have access to electricity in 2018	100% of households in formal areas with access to electricity by 2018			34,745	20,119	20,864	50,996	28,626	28,626	33,730	34,907	41,317
Allocations to other priorities												
Total Revenue (excluding capital transfers and contributions)				184,960	235,860	252,190	238,857	278,843	278,843	228,103	234,848	248,403



Table 23: Reconciliation of IDP strategic objectives and budget (Operating Expenditure)



MLM: FS181 BUDGET AND MTREF 2016-2017

FS181 Masilonyana - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				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	
R thousand													
To ensure that 100% of households in all formal settlement(s) around Masilonyana have access to clean (basic level)	100% of access to basic level of water for formal settlements households, water infrastructure required to enable achievement of			24,201	3,853	4,763	35,024	5,360	5,360	33,443	32,388	34,471	
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	100% of households in formal settlements have access to basic level of sanitation. Sanitation infrastructure.			9,098			26,739			21,791	22,942	21,170	
To ensure that identified internal roads in Masilonyana area are maintained and / or upgraded to facilitate economic and social	Repairing of tarred roads, Paving and re-gravelling of roads in accordance with the targets and projects indicated in the MTAS.			15,107	6,227	6,130	29,649			29,445	31,733	33,625	
To create employment opportunities in Masilonyana Municipal Area; based on projects and programmes outlined in the	(Number of) Employment opportunities created through targeted IDP projects. No of employment created through						2,101			-	-	-	
To ensure good waste management in Masilonyana Municipality	Total of 5 landfill sites are licensed, and 4 landfill sites to be upgraded. 100% of households with access to refuse removal and service is at			5,434			14,284			21,791	22,942	21,170	
To ensure effective management of graveyards and cemeteries in Masilonyana Municipal area & other community facilities	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masilonyana			5,693			11,705			7,119	1,417	1,479	
To ensure access to well maintained, quality sporting and parks & recreational facilities in Masilonyana Municipal area	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the			10,140			2,718			5,666	4,965	5,284	
To ensure effective law enforcement management in Masilonyana municipal area	Adequate provision for traffic management and parking, as measured in terms of the targets set for programmes and project in			502			1,316			3,208	2,663	2,798	
Provide appropriate HR support to directbrates, to ensure healthy & safe working environment for councillors & employees,ensure	Sustainable and continuous reports on HR development, continuous M&evaluation of Health & Safety committees, effective			11,214	1,776	590	12,889			17,121	28,402	30,050	
Adhere to all budget regulations,ensure that th municipality has an effective revenue collection system consistent	Policies reviewed,monitored,evaluated and approved by Council,developed,updated and			55,191	225,947	171,966	32,703	176,035	176,035	19,143	19,143	19,143	
Ensure there's a performance driven institutional culture, ensure that MLM operats clear of anticipated risks of	Reviewed organizational PMS policy & framework, Risk assessment register, Internal audit reports on the implemetation of the									7,165	6,628	7,077	
Pimprove community participation in the affairs of the Municipality	Number of public participation conducted on IDP			20,813	5,439	4,939	10,041	4,786	4,786	18,825	12,380	13,198	
Maintain a legitimate database of human settlement and erven waiting list	Creation of world standard towns and cities by reducing informal settlements			3,516			1,122			2,915	2,486	2,631	
Ensure that 100% of households in MLM area have access to electricity in 2018	100% of households in formal areas with access to electricity by 2018			36,436	27,956	29,676	75,580	60,958	60,958	40,472	46,760	56,307	
Allocations to other priorities													
Total Expenditure				1	197,345	271,198	218,064	255,871	247,139	247,139	228,104	234,848	248,403



Table 24: Reconciliation of IDP strategic objectives and budget (Capital Expenditure)

FS181 Masilonyana - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				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
To ensure that 100% of households in all formal settlement(s) around Masilonyana have access to clean (basic level)	100% of access to basic level of water for formal settlements households	A		7,582	61,816	63,515	715	5,234	5,234	394		2,790
		B										
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	Sanitation infrastructure required to enable achievement of the strategic objective as measured in terms of the performance targets in the	C		9,238	111			390	390			
		D										
To ensure that identified internal roads in Masilonyana area are maintained and / or upgraded to facilitate economic and social	Repairing of tarred roads, Paving and re-gravelling of roads in accordance with the targets and projects indicated in the MTAS.	E		12,591			24,195	31,404	31,404	15,646	16,843	18,868
To ensure good waste management in Masilonyana Municipality	Total of 5 landfill sites are licensed, and 4 landfill sites to be upgraded. 100% of households with access to refuse removal and service is at	F		2,100						1,309	157	
To ensure effective management of graveyards and cemeteries in Masilonyana Municipal area	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masilonyana	G		1,650			497	1,342	1,342	1,726	3,703	157
To ensure access to well maintained, quality sporting and parks & recreational facilities in Masilonyana Municipal area	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the	H		3,800			5,823	5,062	5,062	2,300	2,000	2,000
To ensure that 100% of households in Masilonyana Municipal area have access to electricity by 2018	100% of households in formal areas with access to electricity by 2018	I			197		2,310	1,847	1,847			
Good Governance and Public Participation	PMU	J		100	3,128	23,416	250	2,700	2,700	1,125	1,195	1,253
		L										
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	37,061	65,252	86,931	33,790	47,979	47,979	22,500	23,898	25,068

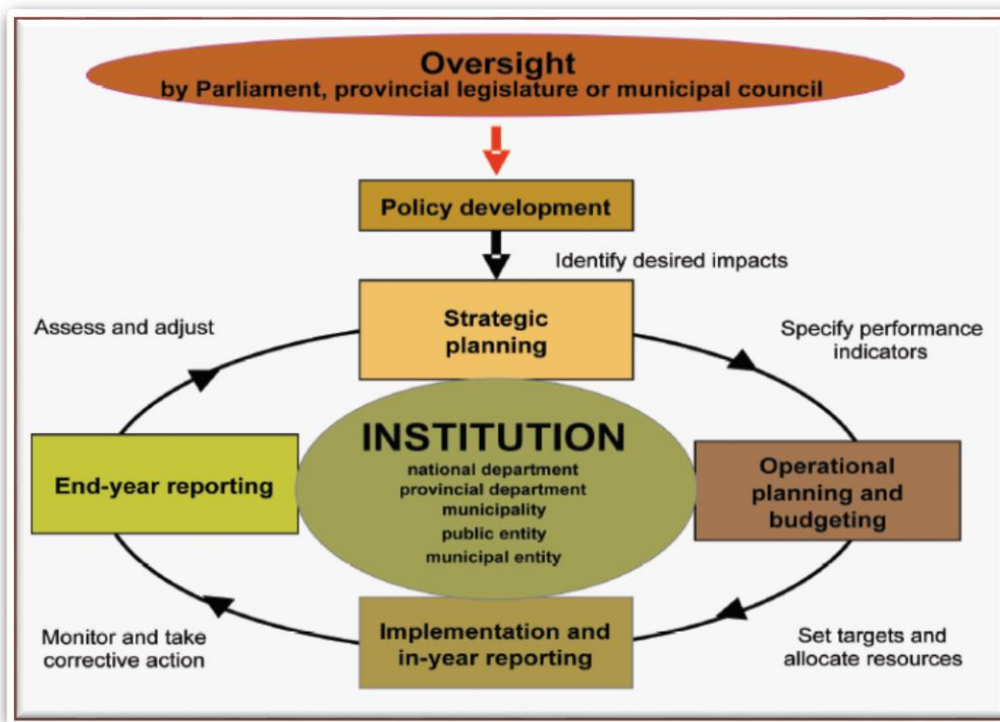


2.5 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds.

The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

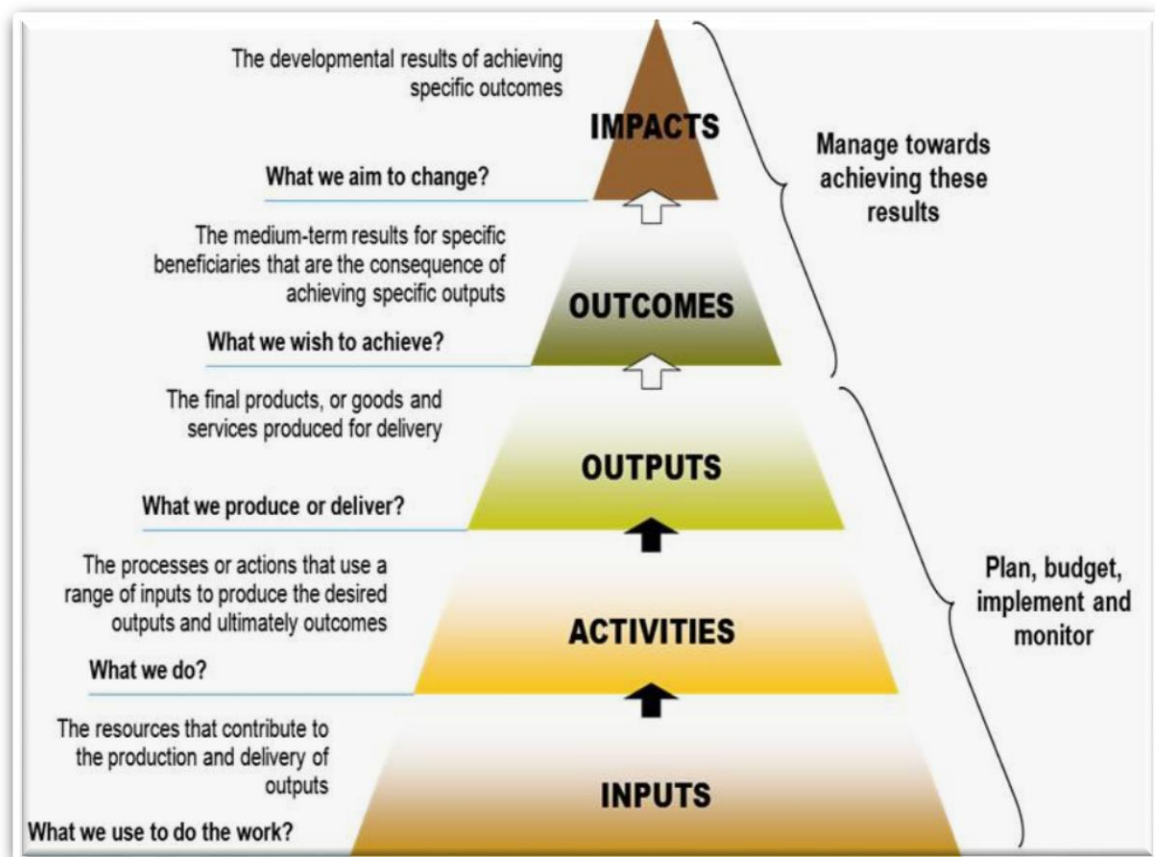


The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:



- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury which is depicted below:



2.6 Budget related policies

Masilonyana Local Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following policies have been reviewed and tabled to Council with the budget:

- Municipal Property rates policy (**Annexure "2"**)
- Budget policy (**Annexure "3"**)
- Tariff policy (**Annexure "4"**)
- Indigent policy (**Annexure "5"**)



- Fixed Asset management policy (**Annexure “6”**)
- Cash management & investment policy (**Annexure “7”**)
- Credit control & Debt Collection policy (**Annexure “8”**)
- Supply Chain Management policy (**Annexure “9”**)
- Unauthorized, Irregular Fruitless and Wasteful policy (**Annexure “10”**)
- Bad debt write-off policy (**Annexure “11”**)
- **Locomotive Allowance (Annexure “12”)**
- **Policy governing payments of creditors, councilors and officials (Annexure “13”)**
- **Subsistence and Travel policy (Annexure “14”)**
- *Disclosure Related parties’ policies 2015/2016 (Annexure”15”)*
- *Events after reporting date policy and procedure manual 2015/2016 (Annexure”16”)*
- *Supply Chain Management policy 2015/2016 (Annexure “17”)*

The 2016/17 MTREF has been prepared on the basis of achieving an average debtors’ collection rate of 42 percent to 65 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality’s cash levels. Finally, debt owed by Councillors and municipal staff has been prioritised for speedy recovery and where there’s such debt, deductions are made against councillors and officials of the municipality. The credit control and debt collection policy has prioritised this area to show an example of the debt collection initiatives by the Municipality.

2.7 Overview of the budget assumptions

2.7.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/2017 MTREF, namely:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on the residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 33% of the total operating expenditure in the 2016/2017.

MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.7.2 Interest Rates on borrowing and Investment of Funds

The MFMA stipulates that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Maseleso municipality will still be servicing the long term borrowing with the DBSA 12.5%.



2.7.3 Collection rate for revenue services

The base assumption is that tariff and rates will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The rate of revenue collection is currently expressed as a percentage 42 percent of annual billings. Cash flow is assumed to be 65 percent of billings, excluding an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. The municipality is aiming at increasing its collection rate by 65 percent each financial of additional cash in-flow once the performance has been carefully monitored.

2.7.4 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, and real growth of the municipality, household formation growth rate and the poor household change rate.

2.8 Legislation compliance status

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

2.8.1. In year reporting

Reporting to National Treasury in electronic format will fully be complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is fully complied with.

2.8.2 Internship programme

The municipality will continue to participate in the Municipal Financial Management Internship programme. During the 2015/16 financial year, the Municipality appointed 5 interns at BTO and Internal Audit unit to undergo training. We have also budget for an additional appointment 5 interns in 2016/2017. A provision of R1, 8 million has been gazetted to continue with the internship programme and support in the BTO.

2.8.3. Audit Committee

The council of the MLM has effective audit committee which was appointed last year.

2.8.4. Service Delivery and Implementation Plan

A detailed SDBIP document is at a final stage and it is directly aligned and informed by the 2016/2017 MTREF budget and Integrated Development Plan. This document will be approved by the Mayor 28 days after the budget is approved by council`



2.8.5 Municipal Manager Certificate

I Maputsoe David Nthau, the Municipal Manager of Masilonyana Local Municipality, hereby certify that the 2016/2017 Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2016/2017 Budget and supporting document are consistent with the Integrated Development Plan of the municipality.

Print Name : **Maputsoe David Nthau**

Municipal Manager of Masilonyana Local Municipality (FS181)

Signature : _____

Date : _____

RECOMMENDATIONS:

- *That the budget and IDP 2016/2017 is approved by council*
- *That all budget related policies and the amended policies to address the auditor general findings as listed above be approved*
- *That all reports with the purpose to address the audit findings be approved*
- *That amendment made to the Budget Process Plan 2016/2017 be approved*