

MASILONYANA LOCAL MUNICIPALITY



DRAFT 2017-18 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



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PART 1 – ANNUAL BUDGET

1.1 Mayor's report

Budget allocation in terms of the operations and capital budget:

The municipality's total operating and capital budget is estimated to be R309 million. Operating expenditure has been projected at R258 million. The Municipality's capital expenditure amounts to R34 million that the 84% is funded from grants and the 16% from internal funds. This is supported with a revenue base of R 242 million from service charges, property rates and operational 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 also experiencing cash-flow challenges that will have a direct impact on the budget that is being prepared. But as a mitigation strategy, the municipality has adopted the revenue enhancement strategy and also will be having support from Provincial CoGTA and the Provincial Treasuries this regard.

Key priorities for the municipality towards the 2017/18 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 31 March 2017 have a sitting where the Mayor will table the DRAFT Budget 2017/18 Budget and Medium Term Revenue and Expenditure Framework (MTREF) in terms of section 16(2) of the Municipal Finance Management Act (56 of 2003), subsequently be tabled to council 90 days before start of budget year.

- 1.2.1 That cognisance be taken of the report of the Mayor regarding the 2017/2018 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) tabling the Draft Budget
- 1.2.3 The annual budget of the municipality for the financial year 2017/18 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	237 247 000	241 591 000	262 074 000
Operational Expenditure	(261 205 000)	(258 448 000)	(279 575 000)
Surplus/Deficit	(23 956 000)	(16 857 000)	(17 501 000)

That cognisance be taken that the operational budget is inclusive of the non-cash items which are Depreciation and assets impairment of R34.3 million and Debt impairment of R35 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	2017/2018 CAPITAL BUDGET	2018/2019 CAPITAL BUDGET	2019/2020 CAPITAL BUDGET
Municipal Infrastructure Grant	23 768 000	24 931 000	26 159 000
Internal Funding	5 292 000	0	0
TOTAL CAPEX	34 060 000	24 931 000	26 159 000

The is also an amount of R 16.5 million Gazetted on the DORA for RBIG, however this is an in-kind capital grant and not budgeted for in the Municipal MTREF.

- 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 Draft Tariff book 2017/2018 (per department) - **Annexure "1"**

- 1.2.9 That the Council of Masilonyana Local Municipality approves the following 2017/18 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")*
- 1.2.9.14 *Disclosure Related parties' policies (Annexure "15")*
- 1. 2.9.15 *Events after reporting date policy and procedure manual (Annexure "16")*



- 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 Brandfort project is 95% complete), 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 intervention of the Mayor and council is requested to communicate this message to the community for the campaigns of indigents to be a success.

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2017/18 MTREF

The main challenges experienced during the compilation of the 2017/18 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 2017/18 MTREF:

- The 2016/17 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 2017/18 annual budget;
- 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;

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 2017/2018 MTREF

2017/2018 MTREF BUDGET SUMMARY			
Description	2017/2018	2018/2019	2019/2020
Total Operating Revenue	241 591 000	262 074 000	277 345 000
Total Operating Expenditure	(258 448 000)	(279 575 000)	(302 884 000)
Surplus/(Deficit) of the year	(16 857 000)	(17 501 000)	(25 540 000)
Total Capital Expenditure	34 060 000	24 931 000	26 159 000
TOTAL BUDGET	292 508 000	304 506 000	329 043 000

- **The total capital budget is exclusive of the in-kind capital budget**

Total operating revenue stands at R241.5 million for the 2017/2018 financial year while total operating expenditure has been appropriated at R258.4 million, R262 million in 2018/2019 and R277.3 in 2019/2020 and translates into a deficit 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 R34 million has been provided for 2017/2018, R24.9 million 2018/19 and R26.1 million in 2019/20. Own funded capital projects have been appropriated at R 5.2 million due to limitations of cash reserves and debt owed by the municipality to Eskom, water boards and other creditors.

Table 2: Summary of revenue classified by main revenue source

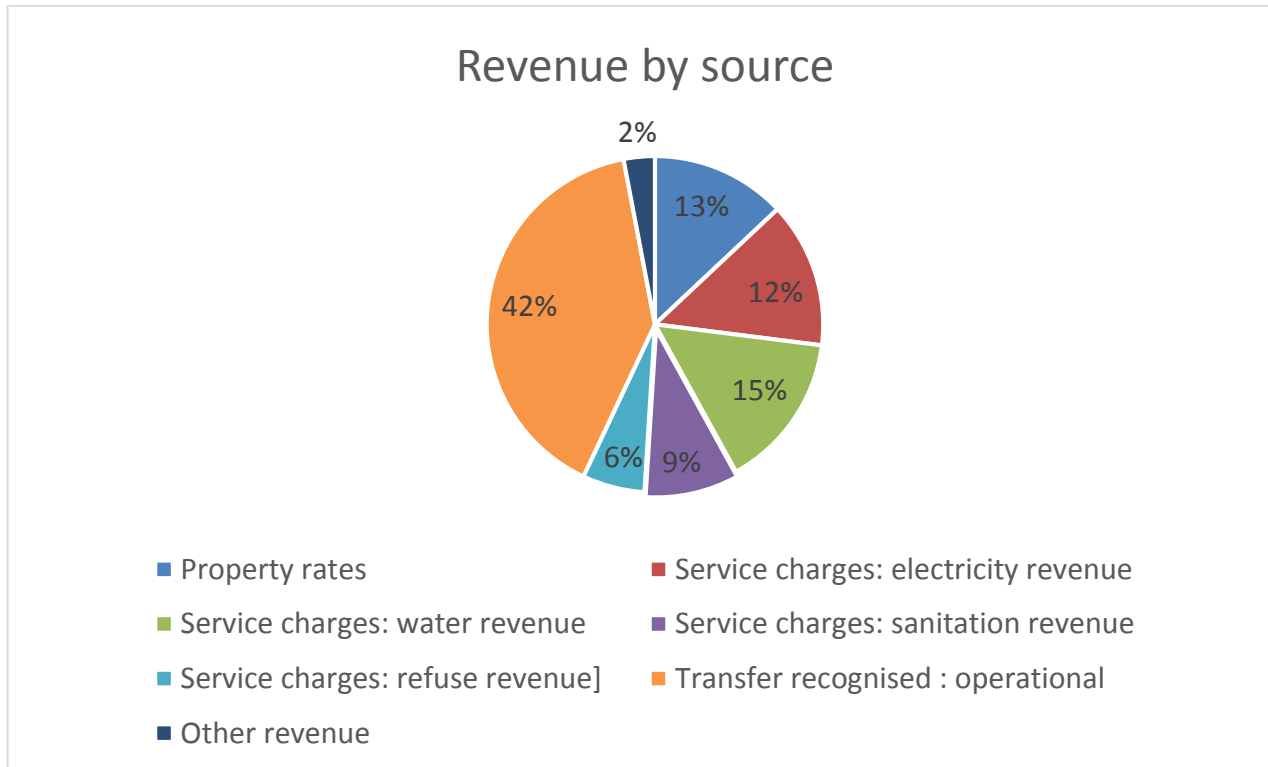
FS181 Masilonyana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source	1										
Property rates	2	-	-	-	-	-	-	-	32,351	34,195	36,110
Service charges - electricity revenue	2	-	-	-	-	-	-	-	29,605	31,293	33,045
Service charges - water revenue	2	-	-	-	-	-	-	-	36,982	39,090	41,279
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	22,098	23,358	24,666
Service charges - refuse revenue	2	-	-	-	-	-	-	-	13,603	14,378	15,184
Service charges - other											
Rental of facilities and equipment									149	157	166
Interest earned - external investments									564	596	630
Interest earned - outstanding debtors									4,757	5,028	5,310
Dividends received									6	6	7
Fines, penalties and forfeits									1	1	1
Licences and permits											
Agency services											
Transfers and subsidies									101,474	113,970	120,947
Other revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	241,591	262,074	277,345



Services charges forms the largest component of the revenue basket for the municipality which amounts to R102 million while transfer recognized-operational constitutes the second largest revenue source totalling R101 million. The third largest source is property rates at R32 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 2017/18 financial year, revenue from rates and services charges totalled R134.5 million or 56 percent. This increases to R142million, and R150 million in the respective financial years of the MTREF.

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 R101.4 million in the 2017/18 financial year; this was decreased by R3.5 million due to the CoGTA financial Relief Grant that was received in 2016/17 to assist the Municipality with ESKOM payment.



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 3 Operating Transfers and Grant Receipts

FS181 Masilonyana - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	-	-	-	97,714	113,970	120,947
Local Government Equitable Share								86,054	102,868	109,658
Finance Management								1,900	2,155	2,155
Municipal Systems Improvement										
EPWP Incentive								1,000		
Energy Efficiency and Demand Management								5,000	5,000	5,000
Councillors support Grant								3,760	3,947	4,134
Provincial Government:		-	-	-	-	-	-	-	-	-
Councillors support Grant										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>Cogta Financial Relief Grant</i>										
Total Operating Transfers and Grants	5	-	-	-	-	-	-	97,714	113,970	120,947

1.3.2 Summary of Rates and Service Charge Tariff implications to the 2017/18 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 0.31 percent on bulk and 1.88 percent on basic services on 01 July 2017, 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 2017/18 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 2017/2018 budget and MTREF (classified per main type of operating expenditure):

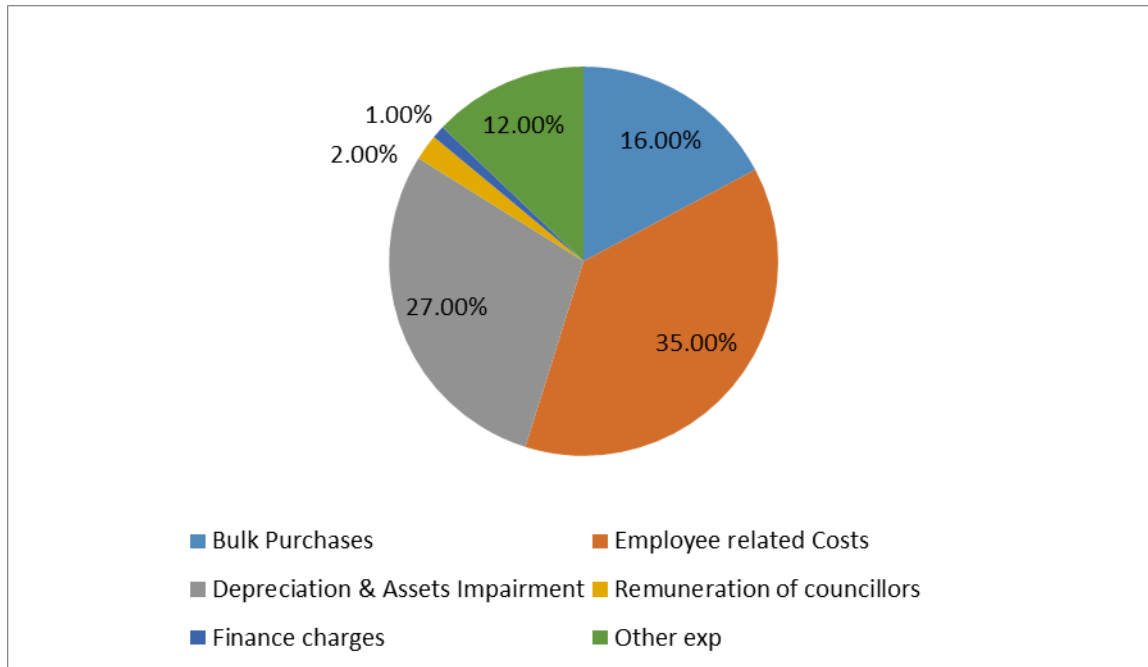
Table 4: Summary of operating expenditure by item for the 2017/2018 MTREF

Expenditure By Type												
Employee related costs	2	-	-	-	-	-	-	-	89,286	95,268	101,556	
Remuneration of councillors									6,893	7,286	7,694	
Debt impairment	3								35,000	36,995	39,067	
Depreciation & asset impairment	2	-	-	-	-	-	-	-	34,354	36,312	38,346	
Finance charges									4,335	4,582	4,838	
Bulk purchases	2	-	-	-	-	-	-	-	42,292	50,207	61,444	
Other materials	8								11,059	11,689	12,344	
Contracted services		-	-	-	-	-	-	-	3,675	3,883	2,375	
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	
Other expenditure	4, 5	-	-	-	-	-	-	-	31,554	33,353	35,221	
Loss on disposal of PPE												
Total Expenditure		-	-	-	-	-	-	-	258,448	279,575	302,884	

Figure 2: Expenditure by major type for the 2017/2018 financial year



Expenditure: 2017/2018



The budgeted allocation for employee related costs for the 2017/2018 financial year amounts to R89.2 million, which equals 35 percent of the total operating expenditure; Employee related cost overall will increase by 7.4 percent and 5.7 percent for the 2018/19 and 2019/2020 financial year in terms of the MFMA circular 86. Overall the total employee related cost and councillor remuneration totals to 37 percent.

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 5.7 percent for 2017/2018 and 2018/2019 financial years as per MFMA circular 86 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 develop to address it.
- 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 6.4 percent



has factored in as per the MFMA circular 86 taking into consideration grading number 3 of the municipality;

- The provision of debt impairment was determined based on an annual collection rate of 40 percent to 60 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 2017/2018 financial year this amount equates to R35 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 decreased by R10 million as there will be more revenue strategies will be put in place to improve the revenue collection and sustainability of the Municipality.
- 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 R34.3 million for the 2017/2018 financial year and equates to 13 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 1 percent of the 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 16 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 2017/2018 a provision of R11 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 amounts to R674.6 million.
- Contracted services takes into consideration the cost of updating the valuation and mSCOA implementation. In the 2016/17 financial year, this expenditure category totals R3.6 million which constitutes 1% of the operating budget.
- Other general expenses have been identified as one of the highest cost drivers for the municipality. In the 2017/2018 financial year, this group of expenditure totals R31, 5million



or 12 percent of the total operational budget. In this item, there's security services that the municipality has made provision for. 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. And the provision is also made for legal services and training to address litigations and legal matters, and to capacitate the employees of the Municipality.

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 2017/2018 over MTREF financial year, a process reviewed annually. The Indigent is an ongoing process where in anyone 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 R89.8 million receivable in terms of the annual Division of Revenue Bill.

Table 5: Capital expenditure by vote

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

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

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<i>Single-year expenditure to be appropriated</i>																
Vote 1 - Executive and Council		99	99	99	99	99	5,391	99	99	99	99	99	99	6,480	1,247	1,308
Vote 2 - Finance and Admin														-	-	-
Vote 3 - Community Facilities		200		600	700	800	518		150		750	750	566	5,034	608	3,198
Vote 4 - Housing														-	-	-
Vote 5 - Public Safety														-	-	-
Vote 6 - Sports & Recreation			724	961										1,685	1,500	1,796
Vote 7 - REFUSE			150		600	800	450							2,000	100	1,182
Vote 8 - Waste Water Management														-	-	-
Vote 9 - Roads and Transport		1,208	1,897	800	800	1,340	922	600	900	1,000	1,487	1,200	1,707	13,861	21,477	18,675
Vote 10 - Water														-	-	-
Vote 11 - Electricity						5,000								5,000	-	-
Vote 12 - PLANNING & DEVELOPMENT														-	-	-
Vote 13 - [NAME OF VOTE 13]														-	-	-
Vote 14 - [NAME OF VOTE 14]														-	-	-
Vote 15 - [NAME OF VOTE 15]														-	-	-
Capital single-year expenditure sub-total	2	1,507	2,870	2,460	2,199	8,039	7,281	699	1,149	1,099	2,336	2,049	2,371	34,060	24,931	26,159
Total Capital Expenditure	2	1,507	2,870	2,460	2,199	8,039	7,281	699	1,149	1,099	2,336	2,049	2,371	34,060	24,931	26,159

Table 6: Capital expenditure by Standard Classification



MLM: FS181 DRAFT BUDGET AND MTREF 2017-2018

FS181 Masiinyana - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital Expenditure - Functional											
Governance and administration		-	-	-	-	-	-	-	6,480	1,246	1,308
Executive and council									1,188	1,246	1,308
Finance and administration									5,292		
Internal audit											
Community and public safety		-	-	-	-	-	-	-	6,719	2,108	4,994
Community and social services									5,034	608	3,198
Sport and recreation									1,685	1,500	1,796
Public safety											
Housing											
Health											
Economic and environmental services		-	-	-	-	-	-	-	13,861	21,477	18,675
Planning and development											
Road transport									13,861	21,477	18,675
Environmental protection											
Trading services		-	-	-	-	-	-	-	7,000	5,100	6,182
Energy sources									5,000	5,000	5,000
Water management											
Waste water management											
Waste management									2,000	100	1,182
Other											
Total Capital Expenditure - Functional	3	-	-	-	-	-	-	-	34,060	29,931	31,159
Funded by:											
National Government									28,768	29,931	31,159
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	-	-	-	-	28,768	29,931	31,159
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									5,292		
Total Capital Funding	7	-	-	-	-	-	-	-	34,060	29,931	31,159

In the 2017/2018 an amount of R13.8 million has been appropriated for the economic and environment which represents 41 percent of the total capital budget followed by the Community and Public safety with an amount of R6.7 million which represent 20 percent and trading services and other for R7 million which represent 21 percent of the total capital budget.

Expenditure in new assets represents 68% of the total capital budget while asset renewal equates to 32%. 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 7: Capital Budget per Infrastructure Type



MLM: FS181 DRAFT BUDGET AND MTREF 2017-2018

MIG REFERENCE	PROJECT NAME	2017/2018 MIG Budget	MIG VALUE
	PMU	1,188,400.00	1194900.00
MIG/FS/0748/CF/09/10	Brandfort: Construction of sports centre	1,661,216.05	21,322,132.00
MIG/FS/0752/CF/09/09	Winburg Construction of sport centre	23,864.11	8,857,448.00
MIG/FS/0842/SW/11/11	Brandfort/Majwemasweu: Upgrading of the Waste Disposal Site	2,000,000.00	3,618,036.00
MIG/FS1081/ST/15/17	Masilo: Construction of 3.5km lined storm water channel (MIS:233705)	3,822,119.67	5,264,152.00
MIG/FS1121/R,ST/16/17	Brandfort/Majwemasweu: Construction of 1km block paving road and storm water (MIS:240012)	6,568,161.00	9,018,161.00
MIG/FS1122/R,ST/16/17	Masilo/Theunissen: Upgrading of 1km soil road to block paving – phase 2 (MIS:241645)	2,605,596.59	9,018,161.00
MIG/FS1130/C/16/17	Brandfort/Majwemasweu: Fencing of community cemetery and construction of ablution facilities (MIS:241660)	2,818,063.00	3,098,063.00
MIG/FS1153/ST/16/18	Winburg/Makeleketa: Construction of 2km storm water drainage (MIS:240379)	864,947.41	5,004,484.00
MIG/FS1154/ST/16/18	Verkeerdevlei/Tshepong: Construction of 1.5km storm water drainage (MIS:254881)		4,840,120.00
MIG/FS1155/C/16/18	Winburg/Makeleketa: Fencing of Molapo cemetery and construction of ablution facilities (MIS:254617)	2,215,632.17	2,643,225.00
TOTAL		23 768 000	



1.4 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 2017/18 budget and MTREF as approved by Council. Each table is accompanied by explanatory notes on the facing page.



Table8: MBRR A1-Consolidated Budget Summary

FS181 Masilonyana - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	-	-	-	-	-	-	-	32,351	34,195	36,110
Service charges	-	-	-	-	-	-	-	102,289	108,119	114,174
Investment revenue	-	-	-	-	-	-	-	564	596	630
Transfers recognised - operational	-	-	-	-	-	-	-	97,714	113,970	120,947
Other own revenue	-	-	-	-	-	-	-	8,673	5,193	5,484
Total Revenue (excluding capital transfers and contributions)								241,591	262,074	277,345
Employee costs	-	-	-	-	-	-	-	89,286	95,268	101,556
Remuneration of councillors	-	-	-	-	-	-	-	6,893	7,286	7,694
Depreciation & asset impairment	-	-	-	-	-	-	-	34,354	36,312	38,346
Finance charges	-	-	-	-	-	-	-	4,335	4,582	4,838
Materials and bulk purchases	-	-	-	-	-	-	-	53,351	61,896	73,788
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	-	-	-	-	-	-	-	70,230	74,231	76,663
Total Expenditure								258,448	279,575	302,884
Surplus/(Deficit)								(16,857)	(17,501)	(25,540)
Transfers and subsidies - capital (monetary allocations)	-	-	-	-	-	-	-	28,768	24,931	26,159
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	21,792	43,493	70,000
Surplus/(Deficit) after capital transfers & contributions								33,703	50,923	70,619
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year								33,703	50,923	70,619
Capital expenditure & funds sources										
Capital expenditure								34,060	24,931	26,159
Transfers recognised - capital	-	-	-	-	-	-	-	28,768	24,931	26,159
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-
Total sources of capital funds								28,768	24,931	26,159
Financial position										
Total current assets	-	-	-	-	-	-	-	313,801	313,870	313,942
Total non current assets	-	-	-	-	-	-	-	741,301	783,549	827,422
Total current liabilities	-	-	-	-	-	-	-	68,620	27,120	15,320
Total non current liabilities	-	-	-	-	-	-	-	1,689	1,324	703
Community wealth/Equity	-	-	-	-	-	-	-	984,792	1,068,975	1,125,341
Cash flows										
Net cash from (used) operating	-	-	-	-	-	-	-	27,814	51,211	60,491
Net cash from (used) investing	-	-	-	-	-	-	-	(17,560)	13,562	38,841
Net cash from (used) financing	-	-	-	-	-	-	-	(744)	(786)	(830)
Cash/cash equivalents at the year end								10,490	74,476	172,977
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	-	-	-	-	1,078	1,134	1,192
Application of cash and investments	-	-	-	-	-	-	-	(120,223)	(184,127)	(206,837)
Balance - surplus (shortfall)								121,301	185,261	208,029
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	460,438	460,438	486,682	513,937
Depreciation	-	-	-	-	-	-	34,354	34,354	36,312	38,345
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	11,059	11,059	11,689	12,344
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	8,696	8,696	9,192	9,707
Revenue cost of free services provided	-	-	-	-	-	-	4,062	4,062	4,294	4,534
Households below minimum service level										
Water:	-	-	-	-	-	-	0	0	0	0
Sanitation/sewerage:	-	-	-	-	-	-	2	2	2	2
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

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 will mainly provide for ICT infrastructure to ensure that it complies with the mSCOA requirement, due to the collection rate of 40 percent.
- 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.
- 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 2017/18 the water backlog will have improved.

Table 9: MBRR A-2 Consolidated Budget Financial Performance (Revenue and Expenditure by Standard Classification)



MLM: FS181 DRAFT BUDGET AND MTREF 2017-2018

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional	1									
Governance and administration		-	-	-	-	-	-	80,955	150,036	159,303
Executive and council		-	-	-	-	-	-	22,911	108,062	115,100
Finance and administration		-	-	-	-	-	-	58,044	41,974	44,203
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	6,868	2,265	5,160
Community and social services		-	-	-	-	-	-	5,183	765	3,364
Sport and recreation		-	-	-	-	-	-	1,685	1,500	1,796
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	24,041	21,483	18,681
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	24,041	21,483	18,681
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	158,496	113,222	120,360
Energy sources		-	-	-	-	-	-	59,365	36,293	38,046
Water management		-	-	-	-	-	-	36,983	30,189	36,003
Waste water management		-	-	-	-	-	-	36,666	32,262	29,946
Waste management		-	-	-	-	-	-	25,483	14,478	16,365
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	-	-	-	-	-	270,359	287,005	303,504
Expenditure - Functional										
Governance and administration		-	-	-	-	-	-	79,642	84,181	88,895
Executive and council		-	-	-	-	-	-	19,311	20,412	21,555
Finance and administration		-	-	-	-	-	-	59,333	62,715	66,227
Internal audit		-	-	-	-	-	-	997	1,054	1,113
Community and public safety		-	-	-	-	-	-	34,503	36,469	38,512
Community and social services		-	-	-	-	-	-	29,935	31,641	33,413
Sport and recreation		-	-	-	-	-	-	2,901	3,067	3,238
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	1,667	1,762	1,861
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	36,756	38,851	41,027
Planning and development		-	-	-	-	-	-	7,939	8,391	8,861
Road transport		-	-	-	-	-	-	28,817	30,460	32,166
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	107,548	120,073	134,450
Energy sources		-	-	-	-	-	-	47,186	56,271	67,076
Water management		-	-	-	-	-	-	29,874	31,576	33,345
Waste water management		-	-	-	-	-	-	20,094	21,240	22,429
Waste management		-	-	-	-	-	-	10,394	10,986	11,600
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	-	-	-	-	-	258,448	279,575	302,884
Surplus/(Deficit) for the year		-	-	-	-	-	-	11,911	7,430	620

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

- 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;
- 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.



- 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 10: 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	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote										
Vote 1 - Executive and Council	1	-	-	-	-	-	-	21,723	106,816	113,783
Vote 2 - Finance and Admin		-	-	-	-	-	-	49,459	41,982	44,212
Vote 3 - Community Facilities		-	-	-	-	-	-	149	157	166
Vote 4 - Housing		-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-
Vote 6 - Sports & Recreation		-	-	-	-	-	-	-	-	-
Vote 7 - REFUSE		-	-	-	-	-	-	23,483	14,378	15,184
Vote 8 - Waste Water Management		-	-	-	-	-	-	31,978	23,358	24,666
Vote 9 - Roads and Transport		-	-	-	-	-	-	1,000	-	-
Vote 10 - Water		-	-	-	-	-	-	59,436	39,090	41,279
Vote 11 - Electricity		-	-	-	-	-	-	54,364	36,293	38,045
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	-	-	-	241,591	262,074	277,335
Expenditure by Vote to be appropriated										
Vote 1 - Executive and Council	1	-	-	-	-	-	-	40,475	42,782	45,178
Vote 2 - Finance and Admin		-	-	-	-	-	-	36,351	38,423	40,574
Vote 3 - Community Facilities		-	-	-	-	-	-	29,935	31,641	33,413
Vote 4 - Housing		-	-	-	-	-	-	1,667	1,762	1,861
Vote 5 - Public Safety		-	-	-	-	-	-	2,816	2,976	3,143
Vote 6 - Sports & Recreation		-	-	-	-	-	-	2,901	3,067	3,238
Vote 7 - REFUSE		-	-	-	-	-	-	10,394	10,986	11,600
Vote 8 - Waste Water Management		-	-	-	-	-	-	20,094	21,240	22,429
Vote 9 - Roads and Transport		-	-	-	-	-	-	28,817	30,460	32,166
Vote 10 - Water		-	-	-	-	-	-	29,874	31,576	33,345
Vote 11 - Electricity		-	-	-	-	-	-	47,186	56,271	67,076
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	7,939	8,391	8,862
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	-	-	-	258,448	279,575	302,884
Surplus/(Deficit) for the year	2	-	-	-	-	-	-	(16,857)	(17,501)	(25,549)

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

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

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	32,351	34,195	36,110
Service charges - electricity revenue	2	-	-	-	-	-	-	-	29,605	31,293	33,045
Service charges - water revenue	2	-	-	-	-	-	-	-	36,982	39,090	41,279
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	22,098	23,358	24,666
Service charges - refuse revenue	2	-	-	-	-	-	-	-	13,603	14,378	15,184
Service charges - other											
Rental of facilities and equipment									149	157	166
Interest earned - external investments									564	596	630
Interest earned - outstanding debtors									4,757	5,028	5,310
Dividends received									6	6	7
Fines, penalties and forfeits									1	1	1
Licences and permits											
Agency services											
Transfers and subsidies									97,714	113,970	120,947
Other revenue	2	-	-	-	-	-	-	-	3,760	-	-
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	241,591	262,074	277,345
Expenditure By Type											
Employee related costs	2	-	-	-	-	-	-	-	89,286	95,268	101,556
Remuneration of councillors									6,893	7,286	7,694
Debt impairment	3								35,000	36,995	39,067
Depreciation & asset impairment	2	-	-	-	-	-	-	-	34,354	36,312	38,346
Finance charges									4,335	4,582	4,838
Bulk purchases	2	-	-	-	-	-	-	-	42,292	50,207	61,444
Other materials	8								11,059	11,689	12,344
Contracted services									3,675	3,883	2,375
Transfers and subsidies									-	-	-
Other expenditure	4, 5								31,554	33,353	35,221
Loss on disposal of PPE											
Total Expenditure		-	-	-	-	-	-	-	258,448	279,575	302,884
Surplus/(Deficit)		-	-	-	-	-	-	-	(16,857)	(17,501)	(25,540)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)									28,768	24,931	26,159
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	5,292	-	-
Transfers and subsidies - capital (in-kind - all)									16,500	43,493	70,000
Surplus/(Deficit) after capital transfers & contributions		-	-	-	-	-	-	-	33,703	50,923	70,619
Taxation											
Surplus/(Deficit) after taxation		-	-	-	-	-	-	-	33,703	50,923	70,619
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		-	-	-	-	-	-	-	33,703	50,923	70,619
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		-	-	-	-	-	-	-	33,703	50,923	70,619



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

- a. Total revenue is R241.5 million in 2017/2018, R262 million and R277.3 million in 2018/2019 and 2019/2020 respectively.
- b. Revenue to be generated from property rates is R32.3 million for 2017/2018 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 R102.2 million (42%) million for the 2017/2018.
- c. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government and they amount to R97.8 million.



Table 12: MBRR A5 Consolidated Budgeted Capital Expenditure by Vote

FS181 Masilonyana - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding											
Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
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 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	6,480	1,247	1,308
Vote 2 - Finance and Admin		-	-	-	-	-	-	-	-	-	-
Vote 3 - Community Facilities		-	-	-	-	-	-	-	5,034	608	3,198
Vote 4 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Sports & Recreation		-	-	-	-	-	-	-	1,685	1,500	1,796
Vote 7 - REFUSE		-	-	-	-	-	-	-	2,000	100	1,182
Vote 8 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Roads and Transport		-	-	-	-	-	-	-	13,861	21,477	18,675
Vote 10 - Water		-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity		-	-	-	-	-	-	-	5,000	-	-
Vote 12 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	34,060	24,931	26,159
Total Capital Expenditure - Vote		-	-	-	-	-	-	-	34,060	24,931	26,159
Capital Expenditure - Functional											
Governance and administration											
Executive and council		-	-	-	-	-	-	-	6,480	1,246	1,308
Finance and administration		-	-	-	-	-	-	-	1,188	1,246	1,308
Internal audit		-	-	-	-	-	-	-	5,292	-	-
Community and public safety											
Community and social services		-	-	-	-	-	-	-	6,719	2,108	4,994
Sport and recreation		-	-	-	-	-	-	-	5,034	608	3,198
Public safety		-	-	-	-	-	-	-	1,685	1,500	1,796
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services											
Planning and development		-	-	-	-	-	-	-	13,861	21,477	18,675
Road transport		-	-	-	-	-	-	-	13,861	21,477	18,675
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services											
Energy sources		-	-	-	-	-	-	-	7,000	100	1,182
Water management		-	-	-	-	-	-	-	5,000	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	2,000	100	1,182
Other											
Total Capital Expenditure - Functional	3	-	-	-	-	-	-	-	34,060	24,931	26,159
Funded by:											
National Government		-	-	-	-	-	-	-	28,768	24,931	26,159
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	-	-	-	-	28,768	24,931	26,159
Public contributions & donations	5										
Borrowing	6										
Internally generated funds											
Total Capital Funding	7	-	-	-	-	-	-	-	28,768	24,931	26,159



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 national capital grants and internally generated funds.



Table 13: MBRR A6 consolidated Budgeted Financial Position

FS181 Maseru - Table A6 Budgeted Financial Position											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS											
Current assets											
Cash									980	1,036	1,094
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	-	-	-	-	-	312,588	312,588	312,588
Other debtors											
Current portion of long-term receivables											
Inventory	2								233	246	260
Total current assets		-	-	-	-	-	-	-	313,801	313,870	313,942
Non current assets											
Long-term receivables											
Investments									98	98	98
Investment property									66,544	70,336	74,275
Investment in Associate									-	-	-
Property, plant and equipment	3	-	-	-	-	-	-	-	674,659	713,115	753,049
Agricultural											
Biological											
Intangible											
Other non-current assets											
Total non current assets		-	-	-	-	-	-	-	741,301	783,549	827,422
TOTAL ASSETS		-	-	-	-	-	-	-	1,055,101	1,097,419	1,141,364
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	-	-	-	-	-	-	-	68,620	27,120	15,320
Provisions											
Total current liabilities		-	-	-	-	-	-	-	68,620	27,120	15,320
Non current liabilities											
Borrowing									1,689	1,324	703
Provisions											
Total non current liabilities		-	-	-	-	-	-	-	1,689	1,324	703
TOTAL LIABILITIES		-	-	-	-	-	-	-	70,309	28,444	16,023
NET ASSETS	5	-	-	-	-	-	-	-	984,792	1,068,975	1,125,341
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)									984,792	1,068,975	1,125,341
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	-	-	-	-	984,792	1,068,975	1,125,341

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.
- This is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:



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- 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 14: MBRR A7 Consolidated Budgeted Cash Flow

FS181 Masilonyana - Table A7 Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									19,352	23,864	27,000
Service charges									64,945	75,684	83,567
Other revenue									119	133	133
Government - operating	1								101,474	113,970	120,947
Government - capital	1								28,768	29,931	31,159
Interest									3,850	4,582	4,895
Dividends									1	1	1
Payments											
Suppliers and employees									(181,156)	(192,373)	(202,373)
Finance charges									(4,335)	(4,582)	(4,839)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	33,018	51,211	60,491
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									16,500	43,493	70,000
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets									(34,060)	(29,931)	(31,159)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(17,560)	13,562	38,841
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									(744)	(786)	(830)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	(744)	(786)	(830)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	14,714	63,986	98,501
Cash/cash equivalents at the year begin:	2								980	15,694	79,680
Cash/cash equivalents at the year end:	2								15,694	79,680	178,181

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- a. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- b. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- c. The approved 2016/2017 MTREF provide for a net increase in cash of R14.7 million for the 2017/2018 financial year resulting in an overall projected positive cash position at the end of the year
- d. The 2017/2018 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term; and.
- e. Cash and cash equivalents totals to a positive R980 thousands as at the end of the 2017/2018 financial year due to the measures that the municipality are going to implement.



Table 15: MBRR A8 Consolidated Cash Backed Accumulated Surplus Reconciliation

FS181 Masilonyana - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	-	-	-	-	15,694	79,680	178,181
Other current investments > 90 days		-	-	-	-	-	-	-	(14,714)	(78,644)	(177,088)
Non current assets - Investments	1	-	-	-	-	-	-	-	98	98	98
Cash and investments available:		-	-	-	-	-	-	-	1,078	1,134	1,192
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	-	-	-	-	(120,473)	(184,127)	(206,837)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	-	-	-	-	-	-	(120,473)	(184,127)	(206,837)
Surplus(shortfall)		-	-	-	-	-	-	-	121,551	185,261	208,029

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 R121.5 million for budget year, 185.2 million for 2018/2019 and 2018.2 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 2017/2018 MTREF the end objective of the medium-term framework was to ensure the budget is fully funded.



Table 16: MBRR A9 Consolidated Asset Measurement

FS181 Masilonyana - Table A9 Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	-	-	-	-	-	-	24,454	18,982	18,031
Roads Infrastructure		-	-	-	-	-	-	7,433	12,143	7,565
Storm water Infrastructure		-	-	-	-	-	-	3,822	4,984	5,060
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	11,255	17,128	12,625
Community Facilities		-	-	-	-	-	-	5,034	608	4,098
Sport and Recreation Facilities		-	-	-	-	-	-	1,685	-	-
Community Assets		-	-	-	-	-	-	6,719	608	4,098
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	1,188	1,247	1,308
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	1,188	1,247	1,308
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	5,292	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-



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Total Upgrading of Existing Assets	6	-	-	-	-	-	9,606	5,949	8,128
<i>Roads Infrastructure</i>		-	-	-	-	-	2,606	4,349	5,151
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	5,000	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	2,000	100	1,182
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	9,606	4,449	6,332
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	1,500	1,796
Community Assets		-	-	-	-	-	-	1,500	1,796
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	10,039	16,493	12,715
<i>Storm water Infrastructure</i>		-	-	-	-	-	3,822	4,984	5,060
<i>Electrical Infrastructure</i>		-	-	-	-	-	5,000	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	2,000	100	1,182
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	20,861	21,577	18,957
Community Facilities		-	-	-	-	-	5,034	608	4,098
Sport and Recreation Facilities		-	-	-	-	-	1,685	1,500	1,796
Community Assets		-	-	-	-	-	6,719	2,108	5,894
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	1,188	1,247	1,308
Housing		-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	1,188	1,247	1,308
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	5,292	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		-	-	-	-	-	34,060	24,931	26,159
ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	97,152	102,690	108,440
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	25,318	26,762	28,260
<i>Water Supply Infrastructure</i>		-	-	-	-	-	168,868	178,494	188,489
<i>Sanitation Infrastructure</i>		-	-	-	-	-	98,247	103,847	109,662
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	24	25	26
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	389,609	411,817	434,879
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-



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Investment properties		-	-	-	-	-	-	-	-
Operational Buildings							66,544	70,336	74,275
Housing									
Other Assets		-	-	-	-	-	66,544	70,336	74,275
Biological or Cultivated Assets									
Servitudes									
Licences and Rights									
Intangible Assets		-	-	-	-	-	-	-	-
Computer Equipment							3,879	4,100	4,330
Furniture and Office Equipment							405	428	452
Machinery and Equipment									
Transport Assets									
Libraries									
Zoo's, Marine and Non-biological Animals									
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	460,438	486,682	513,937
EXPENDITURE OTHER ITEMS									
<u>Depreciation</u>	7	-	-	-	-	-	34,354	36,312	38,345
<u>Repairs and Maintenance by Asset Class</u>	3	-	-	-	-	-	11,059	11,689	12,344
Roads Infrastructure		-	-	-	-	-	2,130	2,252	2,378
Storm water Infrastructure		-	-	-	-	-	1,415	1,496	1,580
Electrical Infrastructure		-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	2,331	2,464	2,602
Sanitation Infrastructure		-	-	-	-	-	2,222	2,348	2,480
Solid Waste Infrastructure		-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	8,098	8,560	9,039
Community Facilities		-	-	-	-	-	-	-	849
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	849
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	1,064	1,125	1,188
Housing		-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	1,064	1,125	1,188
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	1,897	2,005	1,268
Libraries		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		-	-	-	-	-	45,413	48,001	50,689
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	28.2%	23.9%	31.1%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0.0%	0.0%	0.0%	0.0%	0.0%	28.0%	16.4%	21.2%
<i>R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	1.6%	1.6%
<i>Renewal and upgrading and R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	4.0%

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 previously 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 percent budgeted for in 2017/2018 financial year 4 percent and 4 percent in 2018/2019 and 2019/2020 respectively. The municipality cannot afford 8 percent of the PPE totals which amounts



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to R674 659 million. 8 percent of that would equal to R53.9 million which the municipality cannot afford looking at the low collection rate.

Table 17: MBRR consolidated Basic Service Delivery Measurement

FS181 Masilonyana - Table A10 Basic service delivery measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		-	-	-	-	-	-	11,297	11,297	11,297
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	18,829	18,829	18,829
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	7,532	7,532	7,532
<i>Minimum Service Level and Above sub-total</i>								37,658	37,658	37,658
Using public tap (< min.service level)	3	-	-	-	-	-	-	19	19	19
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>								19	19	19
Total number of households	5	-	-	-	-	-	-	37,677	37,677	37,677
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	14,762	14,762	14,762
Flush toilet (with septic tank)		-	-	-	-	-	-	572	572	572
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	1,529	1,529	1,529
<i>Minimum Service Level and Above sub-total</i>								16,863	16,863	16,863
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	1,529	1,529	1,529
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>								1,529	1,529	1,529
Total number of households	5	-	-	-	-	-	-	18,392	18,392	18,392
Energy:										
Electricity (at least min.service level)		-	-	-	-	-	-	2,918	2,918	2,918
Electricity - prepaid (min.service level)		-	-	-	-	-	-	11,695	11,695	11,695
<i>Minimum Service Level and Above sub-total</i>								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	-	-	-	-	-	-	14,613	14,613	14,613
Refuse:										
Removed at least once a week		-	-	-	-	-	-	18,554	18,554	18,554
<i>Minimum Service Level and Above sub-total</i>								18,554	18,554	18,554
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>								-	-	-
Total number of households	5	-	-	-	-	-	-	18,554	18,554	18,554
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	1,426	1,426	1,426
Sanitation (free minimum level service)		-	-	-	-	-	-	1,426	1,426	1,426
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	1,426	1,426	1,426
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	3,582	3,786	3,998
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	2,423	2,561	2,704
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	1,349	1,425	1,505
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	1,343	1,419	1,499
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)								-	-	-
Total cost of FBS provided								8,696	9,192	9,707
Highest level of free service provided per household										
Property rates (R value threshold)								15,000	15,000	15,000
Water (kilolitres per household per month)								6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)								116	123	0
Electricity (kwh per household per month)								122	129	1
Refuse (average litres per week)								68	72	2
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA								4,062	4,294	4,534
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								4,062	4,294	4,534



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 1426 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 indigent roadshow that is underway and will be concluded on the 29/03/2017.
- c. It is anticipated that these Free Basic Services will cost the municipality over R 12.7 million in 2017/2018. 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 2017/2018 MTREF, based on the approved 2017/2018 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 2017/2018 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 2016/2017 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 2017/2018 MTREF is scheduled to be tabled in 31 May 2016 for consideration. The BPP was tabled before council in July 2016 where the budget activities of the 2017/2018 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, however the BPP was adjusted with the 16/17 Adjustment Budget.

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 2017/2018 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 2017/2018 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 2016/2017 adjustments budget and performance against the SDBIP;
- Cash Flow Management Strategy;
- Debtor payment levels;
- 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 2017/2018 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 2017/2018 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 18: Reconciliation of IDP strategic objectives and budget (Revenue)



MLM: FS181 DRAFT BUDGET AND MTREF 2017-2018

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

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
To ensure that 100% of households in all formal settlement(s) around Masingonyana 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									53,483	73,682	106,003
To ensure that 100% of households in formal settlements in Masingonyana 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.									36,666	32,262	29,946
To ensure that identified internal roads in Masingonyana 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.									24,041	21,483	18,681
To create employment opportunities in Masingonyana Municipal Area; based on projects and programmes outlined in the IDP and Back to Basics document	(Number of) Employment opportunities created through targeted IDP projects. No of employment created through EPWP, Implement SDF & LUS in accordance and compliance with SPLUMA.											
To encourage the appropriate and effective use of land and resources.												
To ensure good waste management in Masingonyana 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. 100% of households in informal areas have access to refuse removal at acceptable national standards.									25,483	14,478	16,365
To ensure effective management of graveyards and cemeteries in Masingonyana Municipal area & other community facilities	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masingonyana Municipal area. Adequate provision for new cemeteries									5,183	765	3,364
To ensure access to well maintained, quality sporting and parks & recreational facilities in Masingonyana Municipal area	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the programmes and projects in the MTAS and IDP									1,685	1,500	1,796
Provide appropriate HR support to directorates, to ensure healthy & safe working environment for councillors & employees, ensure effective system of municipal governance in line with applicable legislation, promote fair labour practices, ensure effective & efficient fleet management 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									5,292		
Adhere to all budget regulations, ensure that the municipality has an effective revenue collection system consistent with applicable regulation and	Policies reviewed, monitored, evaluated and approved by Council, developed, updated and approved indigent register, an									58,044	41,974	44,203
Improve community participation in the affairs of the Municipality	Number of public participation conducted on IDP									22,911	108,062	115,100
Maintain a legitimate database of human settlement and erven waiting list	Creation of world standard towns and cities by reducing informal settlements											
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									59,365	36,293	38,046
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	-	-	-	-	-	-	292,152	330,499	373,504



Table 19: Reconciliation of IDP strategic objectives and budget (Operating Expenditure)

FS181 Masiinyana - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
To ensure that 100% of households in all formal settlement(s) around Masiinyana 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										29,874	31,576	33,345
To ensure that 100% of households in formal settlements in Masiinyana 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.										20,094	21,240	22,429
To ensure that identified internal roads in Masiinyana 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.										28,817	30,460	32,166
To create employment opportunities in Masiinyana Municipal Area; based on projects and programmes outlined in the	(Number of) Employment opportunities created through targeted IDP projects. No of employment created through										7,939	8,391	8,861
To ensure good waste management in Masiinyana 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										10,394	10,986	11,600
To ensure effective management of graveyards and cemeteries in Masiinyana Municipal area & other community facilities	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masiinyana										29,935	31,641	33,413
To ensure access to well maintained, quality sporting and parks & recreational facilities in Masiinyana Municipal area	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms of the targets set for the										2,901	3,067	3,238
Provide appropriate HR support to directorates, 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										59,333	62,715	66,227
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										20,308	21,466	22,668
Ensure there's a performance driven institutional culture, ensure that MLM operates clear of anticipated risks of	Reviewed organizational PMS policy & framework, Risk assessment register, Internal audit reports on the implementation of the										1,667	1,762	1,861
Improve community participation in the affairs of the Municipality	Number of public participation conducted on IDP										47,186	56,271	67,076
Maintain a legitimate database of human settlement and erven waiting list	Creation of world standard towns and cities by reducing informal settlements												
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												
Allocations to other priorities													
Total Expenditure				1	-	-	-	-	-	-	258,448	279,575	302,884



Table 20: 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	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
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	A										
		B										
Provide appropriate HR support to directorates, 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	C								5,292		
		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								13,861	21,477	18,675
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								2,000	100	1,182
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								5,034	608	3,198
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								1,685	1,500	1,796
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								5,000		
Good Governance and Public Participation	PMU	J								1,188	1,246	1,308
		K										
		L										
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	-	-	-	-	-	-	34,060	24,931	26,159

2.5 Measurable performance objectives and indicators

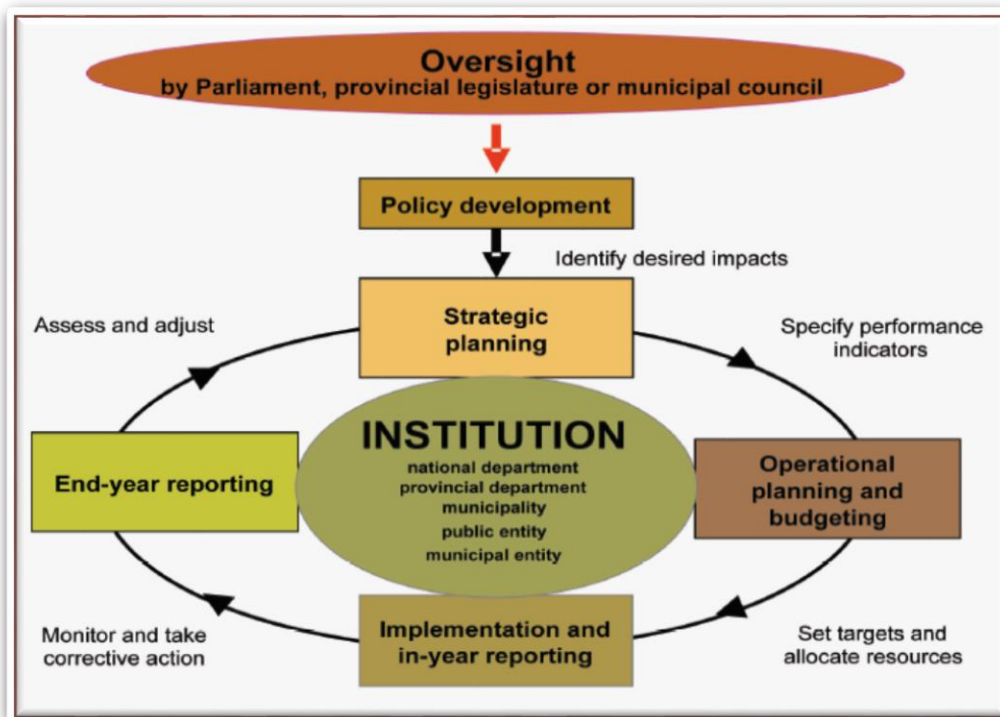
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative



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:

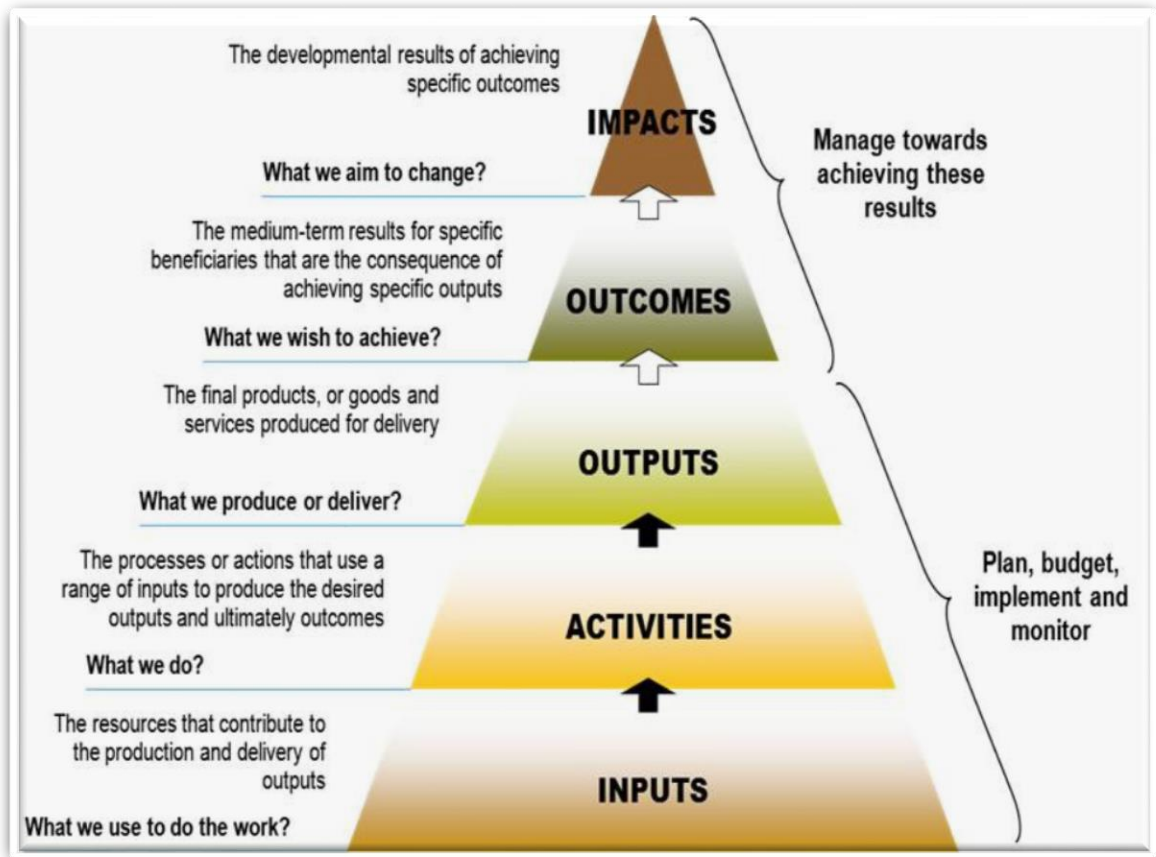


The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which 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 (Annexure”16”)**

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors’ collection rate from 40 percent to 60 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 2017/2018 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 35% of the total operating expenditure in the 2017/2018.

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. Maseko 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 tariffs 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 of annual billings. Cash flow is assumed to be 60 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 60 percent each financial year 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 4 interns at BTO and 1 in Internal Audit unit to undergo training. We have also budgeted for an additional appointment 5 interns in 2016/2017 but could not meet the target due to cashflow issues. A provision of R1, 9 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 in 2015.

2.8.4. Service Delivery and Implementation Plan

A detailed SDBIP document is at a draft stage and it is directly aligned and informed by the 2017/2018 MTREF budget and Integrated Development Plan. This document will be approved by the Mayor 28 days after the budget is approval by council`



2.8.5 Municipal Manager Certificate

I Ratolo Stephen Kau, the acting Municipal Manager of Masilonyana Local Municipality, hereby certify that the 2017/2018 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 2017/2018 Budget and supporting document are consistent with the Integrated Development Plan of the municipality.

Print Name : Ratolo Steven Kau

Acting Municipal Manager of Masilonyana Local Municipality (FS181)

Signature : _____

Date : _____

RECOMMENDATIONS:

- Council to deliberate on 2017/2018 draft budget
- Council to approve the 2017/2018 draft budget for public participation
- That amended tariffs be approved by Council
- That all draft budget related policies listed be approved