

**MASILONYANA LOCAL  
MUNICIPALITY**



**FINAL BUDGET AND MEDIUM TERM  
REVENUE AND EXPENDITURE  
FRAMEWORK 2019-2020**



### Acronyms and abbreviations

<b>CFO</b>	Chief Financial Officer
<b>CPI</b>	Consumer Price Index
<b>CoGTA</b>	Cooperative Governance and Traditional Affairs
<b>CRRF</b>	Capital Replacement Reserve Fund
<b>EEDSM</b>	Energy Efficiency and Demand Side Management
<b>DoJ</b>	Department of Justice
<b>DoRA</b>	Division of Revenue Act
<b>DWA</b>	Department of Water
<b>EXCO</b>	Executive Committee
<b>FBS</b>	Free basic services
<b>GVA</b>	Gross Value Added
<b>GFS</b>	Government Financial Statistics
<b>GRAP</b>	General Recognised Accounting Practice
<b>IBT</b>	Inclining Block Tariff
<b>IDP</b>	Integrated Development Plan
<b>kℓ</b>	kilolitre
<b>km</b>	kilometre
<b>KPA</b>	Key Performance Area
<b>KPI</b>	Key Performance Indicator
<b>kWh</b>	kilowatt hour
<b>ℓ</b>	litre
<b>LED</b>	Local Economic Development
<b>MBBR</b>	Local Government: Municipal Budget and Reporting Regulations
<b>MEC</b>	Member of the Executive Committee
<b>MFMA</b>	Municipal Financial Management Act (56 of 2003)
<b>MFMG</b>	Municipal Finance Management Grant
<b>MIG</b>	Municipal Infrastructure Grant
<b>MLM</b>	Masilonyana Local Municipality
<b>MM</b>	Municipal Manager
<b>MMC</b>	Member of Mayoral Committee
<b>MPRA</b>	Municipal Properties Rates Act
<b>MSA</b>	Municipal Systems Act
<b>MSIG</b>	Municipal Systems Improvement Grant
<b>MTREF</b>	Medium-term Revenue and Expenditure Framework
<b>NERSA</b>	National Energy Regulator of South Africa
<b>PBO</b>	Public Benefit Organisations
<b>PMS</b>	Performance Management System
<b>PPE</b>	Property Plant and Equipment
<b>PPP</b>	Public Private Partnership
<b>RBIG</b>	Regional Bulk Infrastructure Grant
<b>SALGA</b>	South African Local Government Association
<b>SARS</b>	South African Revenue Services
<b>SAPS</b>	South African Police Services
<b>SDBIP</b>	Service Delivery Budget Implementation Plan
<b>SMMEs</b>	Small Macro-Medium Enterprises
<b>VAT</b>	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 R332 million. Operating expenditure has been projected at R359 million. The Municipality's capital expenditure amounts to R45.6 million that the 100% is funded from grants, however should there be funds available there's capital expenditure planned to be implemented from that available funds. This is supported with a revenue base of R 286.6 million from service charges, property rates and operational grants. The budget has a deficit of R72.5 mil due to non-cash items that constitutes a big chunk of the expenditure, however these expenses has to be accounted for to ensure that the budget is realistic and credible. The municipality is also experiencing cash-flow challenges that will have a direct impact on the budget that is prepared for 2019/2020.

#### **Key priorities for the municipality towards the 2019/20 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:

1. 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
2. Constant engagement are made for the purpose of information sharing through LED office and SCM unit
3. 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
4. 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 Resolutions

The Council of Masilonyana Local Municipality will on 31 May 2018 have a sitting where the Mayor will table the Final Budget 2019/20 Budget and Medium Term Revenue and Expenditure Framework (MTREF) for consideration 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 2019/2020 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 Final Budget
- 1.2.3 that the annual budget of the municipality for the financial year 2019/20 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 2019/2020	BUDGET 2020/2021	BUDGET 2021/2022
Operational Revenue	286 630 000	321 346 000	324 288 000
Operational Expenditure	359 198 000	371 643 000	385 260 000
<b>Surplus/Deficit</b>	<b>(72 567 000)</b>	<b>(50 296 000)</b>	<b>(60 972 000)</b>

That cognizance be taken that the operational budget is inclusive of the non-cash items which are Depreciation and assets impairment of R51.6 million and Debt impairment of R89 million.

- 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 summarized as follows:



FUNDING SOURCE	CAPITAL BUDGET 2019/2020	CAPITAL BUDGET 2020/2021	CAPITAL BUDGET 2021/2022
Municipal Infrastructure Grant	32 421 000	24 533 000	26 133 000
Integrated National Electrification Programmes	3 200 000	4 914 000	5 184 000
Water Services Infrastructure Grant	10 000 000	11 000 000	12 000 000
Internal Funding	0	0	0
<b>TOTAL CAPEX</b>	<b>45 621 000</b>	<b>40 447 000</b>	<b>43 317 000</b>

The total amount of MIG above is inclusive of the Project Management Unit funded by the grant.

There is also an amount of R 60 million Gazetted on the DORA for Regional Bulk Infrastructure Grant transfers and electrification programmes, however these are 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 2019 the following tariffs and rates:

1.2.8.1 Consolidated Final Tariff book 2019/2020 (per service, per department) - **Annexure "1"**

1.2.9 That the Council of Masilonyana Local Municipality approves the following 2019/20 revised budget related policies and tariffs:

- 1.2.9.1 *Municipal Property rates policy (Annexure)*
- 1.2.9.2 *Budget policy (Annexure)*
- 1.2.9.3 *Tariff policy (Annexure)*
- 1.2.9.4 *Indigent policy (Annexure)*
- 1.2.9.5 *Fixed Asset management policy (Annexure)*
- 1.2.9.6 *Cash management & investment policy (Annexure)*
- 1.2.9.7 *Credit control & Debt Collection policy (Annexure)*
- 1.2.9.8 *Supply Chain Management policy (Annexure)*
- 1.2.9.9 *Unauthorized, Irregular Fruitless and Wasteful policy (Annexure)*
- 1.2.9.10 *Bad debt write-off policy (Annexure)*
- 1.2.9.11 *Policy governing payments of creditors, councilors and officials (Annexure)*
- 1.2.9.12 *Subsistence and Travel policy (Annexure)*
- 1.2.9.13 *Disclosure Related parties' policies (Annexure)*
- 1.2.9.14 *Events after reporting date policy and procedure manual (Annexure)*
- 1.2.9.15 *Virements Policy (Annexure)*



1.2.10 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;

1.2.11 that the municipality did not budget to raise long term loans to fund the capital budget, and

1.2.12 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 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 through funding from DWA.

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 was requested to communicate this message to the community for the campaigns of indigents to be a success.

National Treasury's MFMA Circular No. 93 & 94 were used to guide the compilation of the 2019/20 MTREF

The main challenges experienced during the compilation of the 2019/20 MTREF can be Summarised as follows:

1. The on-going difficulties in the national and local economy;
2. Aging and poor water, electricity and roads infrastructure;
3. Poor water supply in all towns of the Municipality.
4. The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
5. 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
6. Wage increases for municipal staff
7. Affordability of capital projects funded internally





The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

The 2018/19 Original Budget priorities and targets of Masilonyana Local Municipality, as well as the base line allocations, contained in that Budget were adopted as the upper limits for the new baselines for the 2019/20 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; and as a results tariffs were increased by 5.2% as per MFMA Circular 94 CPi estimates, **however electricity tariffs were increased by 13.07% as per the NERSA guideline as approved by NERSA.**

#### 1.4 Charting the Way Forward

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/2020 Medium-term Revenue and Expenditure Framework:

### 1.4 ANNUAL BUDGET TABLES

Table 1: Consolidated Overview of the 2019/2020 MTREF

<b>2019/20 MTREF BUDGET SUMMARY</b>			
<b>Description</b>	<b>BUDGET 2019/2020</b>	<b>BUDGET 2020/2021</b>	<b>BUDGET 2021/2022</b>
Total Operating Revenue	286 630 000	321 346 000	324 288 000
Total Operating Expenditure	359 198 000	371 643 000	385 260 000
Surplus/(Deficit ) of the year	<b>(72 567 000)</b>	<b>(50 296 000)</b>	<b>(60 972 000)</b>
Total Capital Expenditure	<b>44 000 000</b>	<b>39 220 000</b>	<b>42 010 000</b>

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

Total operating revenue stands at 286 million for the 2019/2020 financial year while total operating expenditure has been appropriated at R359 million, R371 million in 2020/2021 and R385 in 2021/2022. The municipality has budgeted on deficit of R72 million. 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 which is now not the case due to the high non-cash items and low revenue collection estimates. In line with this requirement and with implementation of financial turnaround strategy the municipality projects to achieve moderate surpluses in the years following 2019/2020. This would be achieved through the restructuring of tariffs that are cost reflective and improved collection of revenue which is estimated at 73.5% for this budget year.

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 R44 million has been provided for 2019/2020, R39 million 2020/21 and R42 million in 2021/22. There will be no own funded capital projects appropriated in the 2019/2020 MTREF due financial situation of the Municipality, however as and when a need arises for a capital project funded internally and there are funds available, such project will be implemented accordingly.

**Table 2: Summary of revenue classified by main revenue source**

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

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue By Source</b>	1										
Property rates	2	35,062	29,434	42,213	44,450	44,450	44,450	44,450	48,006	50,598	53,330
Service charges - electricity revenue	2	16,933	20,364	31,540	32,182	32,182	32,182	34,630	36,580	55,848	40,637
Service charges - water revenue	2	31,327	30,056	34,563	36,403	36,403	36,403	40,167	38,296	40,364	42,544
Service charges - sanitation revenue	2	15,306	17,722	19,676	20,396	20,396	20,396	23,269	21,456	22,615	23,836
Service charges - refuse revenue	2	7,196	8,709	12,945	12,637	12,637	12,637	15,046	13,294	14,012	14,768
Rental of facilities and equipment		308	339	149	157	157	157	157	165	174	183
Interest earned - external investments		384	63	564	594	594	594	594	625	659	694
Interest earned - outstanding debtors		7,555	28,990	4,757	5,179	5,179	5,179	5,179	5,448	5,742	6,052
Dividends received		5	2	6	8	8	8	8	8	8	8
Fines, penalties and forfeits		260	224	1	500	500	500	500	526	554	584
Licences and permits									-	-	-
Agency services									-	-	-
Transfers and subsidies		93,098	105,315	89,833	110,412	110,412	110,412	110,412	121,876	130,403	141,262
Other revenue	2	1,316	6,603	3,760	-	-	-	-	350	369	389
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208,750</b>	<b>247,821</b>	<b>240,006</b>	<b>262,917</b>	<b>262,917</b>	<b>262,917</b>	<b>274,411</b>	<b>286,630</b>	<b>321,346</b>	<b>324,288</b>

Services charges forms the largest component of the revenue basket for the municipality which amounts to R109 million The second largest source is property rates at R48 million when we are not considering grant and subsidies.

Operational Transfers and subsidies constitutes R 122 million of the operating budget.



**Table 3 Operating Transfers and Grant Receipts**

FS181 Masilonyana - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		92,163	92,334	97,714	110,412	110,412	110,412	121,876	130,403	141,262
Local Government Equitable Share		88,321	79,723	86,054	103,492	103,492	103,492	114,822	123,725	133,653
Finance Management		1,800	1,825	1,900	1,970	1,970	1,970	1,970	2,402	3,131
Municipal Systems Improvement		930								
EPWP Incentive		1,112	1,147	1,000	1,000	1,000	1,000	1,000		
Energy Efficiency and Demand Management			6,000	5,000	-	-	-			
Councillors support Grant			3,639	3,760	3,950	3,950	3,950	4,084	4,276	4,478
<b>Provincial Government:</b>		-	-	12,576	-	-	-	-	-	-
Cogla Financial Relief grant				12,576						
Councillors support Grant										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	92,163	92,334	110,290	110,412	110,412	110,412	121,876	130,403	141,262

**Summary of Rates and Service Charge Tariff implications to the 2019/20 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 15.63 percent on bulk electricity, as approved by Nersa, which then resulted in the Municipality applying an increase of 13.07% for electricity tariffs, however still awaiting approval for such increase.

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 2019/20 budget and MTREF is informed by the following:

1. repairs and maintenance plan;
2. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA
3. The capital programme the capital budget implementation plan.
4. Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
5. 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.
6. Implementation of Cost Containment MFMA Circulars

The following table is a high level summary of the 2019/2020 budget and MTREF

**Figure 2: Expenditure by major type for the 2019/2020 financial year**

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

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Expenditure By Type</b>											
Employee related costs	2	86,295	85,165	89,286	94,018	94,018	94,018	94,018	98,372	103,202	108,789
Remuneration of councillors		6,253	6,071	6,893	7,258	7,258	7,258	7,258	7,636	8,048	8,483
Debt impairment	3	69,331	95,590	35,000	51,324	51,324	51,324	51,324	89,423	89,444	94,275
Depreciation & asset impairment	2	56,167	76,017	26,534	27,940	27,940	27,940	27,940	51,761	54,411	57,350
Finance charges		6,847	11,038	1,335	1,406	1,406	1,406	1,406	1,479	1,558	1,643
Bulk purchases	2	33,711	36,293	24,453	42,848	42,848	42,848	42,848	54,172	56,660	59,296
Other materials	8	10,366	12,961	11,059	13,952	13,952	13,952	13,952	7,823	8,264	8,663
Contracted services		-	-	3,175	3,818	3,818	3,818	3,818	24,607	25,521	23,831
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	40,904	36,738	23,565	30,197	30,197	30,197	30,197	23,926	24,534	22,929
Loss on disposal of PPE		101	324	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>309,974</b>	<b>360,197</b>	<b>221,299</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>359,198</b>	<b>371,643</b>	<b>385,260</b>

## Expenditure: 2019/2020

The budgeted allocation for employee related costs for the 2019/2020 financial year amounts to R98 million, which equals 27 percent of the total operating expenditure; Employee related cost overall will increase by 5.1% due to minimal increase on overtime payments, and 5.4 percent for the 2020/21 and 2021/2022 financial year in terms of the MFMA circular 94. Overall the total employee related cost and councillors remuneration totals to 30 percent of the budget.



The following are highlights of the components of operating expenditure:

1. 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.
2. 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).
3. 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 5.2 percent has factored in as per the MFMA circular 94 taking into consideration grading number 3 of the municipality;
4. The provision of debt impairment was determined based on an annual collection rate of 50 %, 50 % 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 2019/2020 financial year this amount equates to R89 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.
5. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management. Depreciation is widely considered a proxy for the measurement of the rate asset of consumption of assets. Budget appropriations in this regard total R52 million for the 2019/2020 financial year and equates to 14 percent of the total operating expenditure.
6. Finance charges consist primarily of interest on ESKOM outstanding debt
7. Bulk purchases are directly informed by the purchase of electricity from Eskom and water boards. The Eskom 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. With regards to water, there's currently no payment plan in place between the Municipality and San-vet and that will be factored in as soon as an agreement of plan is in place.
8. The Bulk purchase constitutes 15 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 minimised and calculated on a monthly basis. The Municipality still need to make use of bulk meters to have control on the distribution of water especially in the wards where there's non-payments.



9. In line with the Masilonyana's repairs and maintenance plan, this group of expenditure has been prioritized to ensure sustainability of the infrastructure. For 2019/2020 a provision of R14.6 million has been secured. The municipality has been granted 5% of the MIG projects to be allocated to the repairs and maintenance. This is still under the MFMA circular 74 Guideline which stipulates that the Municipality must budget for at least 8% of the total asset carrying value, which in these case the Municipality does not comply due to financial constraints.
10. Contracted services takes into consideration the cost of mSCOA implementation support, government garage, provision for landfill site and R&M (as classified by mSCOA as contracted services). In the 2019/20 financial year, this expenditure category totals R24.6 million which constitutes 7% of the operating budget.
11. Other general expenses have been identified as one of the highest cost drivers for the municipality. In the 2019/2020 financial year, this group of expenditure totals R24 million or 7 percent of the total operational budget. In this item, there's security services that the municipality has made provision for. There's uniforms to ensure safety of employees , this makes provision for uniforms/protective clothing for employees under Electrical department to comply with Electricity standards. 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 2019/2020 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 R119 million receivable in terms of the annual Division of Revenue Bill.

### **Table 5: Capital expenditure by vote**



MLM: FS181 FINAL BUDGET AND MTREF 2019-2020

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

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2020/21	Budget Year +2 2020/21
<b>FS181 Masilonyana - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)</b>																
Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Capital Expenditure - Functional</b>	1															
<b>Governance and administration</b>																
Executive and council																
Finance and administration																
Internal audit																
<b>Community and public safety</b>		126	351	804	1,250	450	465	994	1,323	950	986	750	1,603	10,054	5,752	5,697
Community and social services																3,302
Sport and recreation		126	351	804	1,250	450	465	994	1,323	950	986	750	1,603	10,054	1,099	1,307
Public safety															4,653	1,088
Housing																
Health																
<b>Economic and environmental services</b>																14,585
Planning and development																
Road transport																14,585
Environmental protection																
<b>Trading services</b>			331	1,780	726	792	1,695	289	743	730	830	804	25,226	33,946	33,468	21,728
Energy sources				1,200			1,450						860	3,510	4,914	5,184
Water management													11,951	11,951	11,202	12,000
Waste water management			331	580	726	792	245	289	743	730	830	804	12,184	18,254	17,352	4,544
Waste management													231	231		
<b>Other</b>																
<b>Total Capital Expenditure - Functional</b>	2	126	681	2,584	1,976	1,242	2,160	1,283	2,066	1,681	1,817	1,554	26,829	44,000	39,220	42,010
<b>Funded by:</b>																
National Government		1,952	3,378	4,266	4,294	3,078	1,416	1,674	2,702	2,468	2,693	2,487	13,591	44,000	39,220	42,010
Provincial Government																
District Municipality																
Other transfers and grants																
Transfers recognised - capital		1,952	3,378	4,266	4,294	3,078	1,416	1,674	2,702	2,468	2,693	2,487	13,591	44,000	39,220	42,010
Borrowing																
Internally generated funds																
<b>Total Capital Funding</b>		1,952	3,378	4,266	4,294	3,078	1,416	1,674	2,702	2,468	2,693	2,487	13,591	44,000	39,220	42,010

Table 6: Capital expenditure by Standard Classification

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

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		64,000	2,655	2,588	1,221	1,221	1,221	1,221			
Executive and council		64,000	2,655	2,588	1,151	1,151	1,151	1,151			
Finance and administration					70	70	70	70			
Internal audit											
<b>Community and public safety</b>				495	4,224	4,224	4,224	4,224	10,054	5,752	5,697
Community and social services				405	3,098	3,098	3,098	3,098			3,302
Sport and recreation				0	1,036	1,036	1,036	1,036	10,054	1,099	1,307
Public safety				90	90	90	90	90		4,653	1,088
Housing											
Health											
<b>Economic and environmental services</b>			13,841	9,091	5,132	5,132	5,132	5,132			14,585
Planning and development					1,000	1,000	1,000	1,000			
Road transport			13,841	9,091	4,132	4,132	4,132	4,132			14,585
Environmental protection											
<b>Trading services</b>				22,384	24,602	24,602	24,602	24,602	33,946	33,468	21,728
Energy sources				6,750	1,000	1,000	1,000	1,000	3,510	4,914	5,184
Water management				13,634	14,232	14,232	14,232	14,232	11,951	11,202	12,000
Waste water management					6,770	6,770	6,770	6,770	18,254	17,352	4,544
Waste management				2,000	2,600	2,600	2,600	2,600	231		
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	64,000	16,496	34,558	35,179	35,179	35,179	35,179	44,000	39,220	42,010
<b>Funded by:</b>											
National Government		64,000	13,925	30,913	34,019	34,019	34,019	34,019	44,000	39,220	42,010
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	64,000	13,925	30,913	34,019	34,019	34,019	34,019	44,000	39,220	42,010
Borrowing	6										
Internally generated funds				3,645	1,160	1,160	1,160	1,160			
<b>Total Capital Funding</b>	7	64,000	13,925	34,558	35,179	35,179	35,179	35,179	44,000	39,220	42,010





In the 2019/2020 an amount of R34 million has been appropriated for the trading services which represents 77 percent of the total capital budget followed by the Community and Public safety with an amount of R23 million which represent 19 percent.

Expenditure in new assets represents 82% of the total capital budget while asset renewal equates to 18%. 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**

FS181 Maseru - Supporting Table SA36 Detailed capital budget												2019/20 Medium Term Revenue & Expenditure Framework				
Function	Project Description	Project Number	Type	MTSF Service Outcome	IUDF	Own Strategic Objectives	Asset Class	Asset Sub-Class	Ward Location	GPS Longitude	GPS Latitude	Audited Outcome	Commitment	Budget Year	Budget Year	Budget Year
												2017/18	2018/19 Full Year Forecast	2019/20	+1 2020/21	+2 2021/22
<b>Parent municipality:</b>																
<i>List all capital projects grouped by Function</i>																
<b>PMU</b>			<b>PMU</b>													
MGFS08420811011	Brandvlei/Mayemaseku: Upgrading of Waste Disposal Site						Landfill Sites							1,621	1,227	1,307
MGFS08550911011	Theissen/Masib: Installation of 200 domestic, 2 zonal and 4 bulk water meters						Capital Spares							17	-	-
MGFS08550911011	Verkeerdvlei/Tshepoeng: Installation of 500 domestic, 2 zonal and 3 bulk water meters						Capital Spares							14	-	-
MGFS08550911011	Brandvlei/Mayemaseku: Installation of 2719 domestic, 3 zonal and 3 bulk water meters						Capital Spares							14	-	-
MGFS08550911011	Witburg/Masibelele: Installation of 312 domestic and 3 zonal water meters						Capital Spares							16	-	-
MGFS1080CF15017	Masib: Rehabilitation of sports field (MS23271)						Outdoor Facilities							1,662	1,104	1,307
MGFS1081ST15017	Masib: Construction of 3.5m lined storm water channel (MS23370)						Storm water Conveyance							-	8,567	451
MGFS1124R5T1617	Brandvlei/Mayemaseku: Construction of 7m back parking road and storm water (MS24012)						Reservoirs							-	-	-
MGFS1124R5T1617	Brandvlei/Mayemaseku: Fencing of community cemetery and construction of children facilities (MS24160)						Roads							-	-	2,903
MGFS1133ST1618	Witburg/Masibelele: Construction of 1.5m storm water drainage (MS24378)						Roads							4,794	250	-
MGFS1133ST1618	Verkeerdvlei/Tshepoeng: Construction of 1.5m storm water drainage (MS24481)						Cemeteries/Crematoria							-	4,501	340
MGFS1208HL2020	Masib: Construction of 8 high mast lights in various towns (MS31776)						Drainage Collection							310	-	-
MGFS1208HL2020	Verkeerdvlei/Tshepoeng: Construction of a water reticulation network and house connections for 317 houses (MS23600)						Drainage Collection							2,891	202	-
MGFS1208HL2020	Verkeerdvlei/Tshepoeng: Construction of a sewer reticulation network and house connections for 317 houses (MS23600)						Cemeteries/Crematoria							2,875	336	-
MGFS1208HL2020	Verkeerdvlei/Tshepoeng: Construction of 0.6m ponds						Cemeteries/Crematoria							5,565	4,984	543
<b>Parent Capital expenditure</b>														<b>18,718</b>	<b>21,170</b>	<b>6,895</b>

a. 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 2019/20 budget and MTREF as approved by Council. Each table is accompanied by explanatory notes on the facing page.

**Table8: MBRR A1-Consolidated Budget Summary**





MLM: FS181 FINAL BUDGET AND MTREF 2019-2020

FS181 Masilonyana - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	35,062	29,434	42,213	44,450	44,450	44,450	44,450	48,006	50,598	53,330
Service charges	70,762	76,851	98,724	101,618	101,618	101,618	113,112	109,627	132,839	121,786
Investment revenue	384	63	564	594	594	594	594	625	659	694
Transfers recognised - operational	93,098	105,315	89,833	110,412	110,412	110,412	110,412	121,876	130,403	141,262
Other own revenue	9,444	36,158	8,673	5,843	5,843	5,843	5,843	6,497	6,847	7,216
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>208,750</b>	<b>247,821</b>	<b>240,006</b>	<b>262,917</b>	<b>262,917</b>	<b>262,917</b>	<b>274,411</b>	<b>286,630</b>	<b>321,346</b>	<b>324,288</b>
Employee costs	86,295	85,165	89,286	94,018	94,018	94,018	94,018	98,372	103,202	108,789
Remuneration of councillors	6,253	6,071	6,893	7,258	7,258	7,258	7,258	7,636	8,048	8,483
Depreciation & asset impairment	56,167	76,017	26,534	27,940	27,940	27,940	27,940	51,761	54,411	57,350
Finance charges	6,847	11,038	1,335	1,406	1,406	1,406	1,406	1,479	1,558	1,643
Materials and bulk purchases	44,077	49,254	35,511	56,800	56,800	56,800	56,800	61,995	64,924	67,959
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	110,336	132,652	61,740	85,339	85,339	85,339	85,339	137,955	139,499	141,035
<b>Total Expenditure</b>	<b>309,974</b>	<b>360,197</b>	<b>221,299</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>359,198</b>	<b>371,643</b>	<b>385,260</b>
<b>Surplus/(Deficit)</b>	<b>(101,224)</b>	<b>(112,377)</b>	<b>18,707</b>	<b>(9,844)</b>	<b>(9,844)</b>	<b>(9,844)</b>	<b>1,650</b>	<b>(72,567)</b>	<b>(50,296)</b>	<b>(60,972)</b>
Transfers and subsidies - capital (monetary allocations) (Na	65,579	15,139	30,913	34,019	34,019	34,019	34,019	45,621	40,447	43,317
Contributions recognised - capital & contributed assets	-	-	3,645	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(35,645)</b>	<b>(97,238)</b>	<b>53,265</b>	<b>24,175</b>	<b>24,175</b>	<b>24,175</b>	<b>35,669</b>	<b>(26,946)</b>	<b>(9,849)</b>	<b>(17,655)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(35,645)</b>	<b>(97,238)</b>	<b>53,265</b>	<b>24,175</b>	<b>24,175</b>	<b>24,175</b>	<b>35,669</b>	<b>(26,946)</b>	<b>(9,849)</b>	<b>(17,655)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>64,000</b>	16,496	34,558	35,179	35,179	35,179	35,179	44,000	39,220	42,010
Transfers recognised - capital	64,000	13,925	30,913	34,019	34,019	34,019	34,019	44,000	39,220	42,010
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	3,645	1,160	1,160	1,160	1,160	-	-	-
<b>Total sources of capital funds</b>	<b>64,000</b>	13,925	34,558	35,179	35,179	35,179	35,179	44,000	39,220	42,010
<b>Financial position</b>										
Total current assets	46,435	51,798	240,882	318,070	318,070	318,070	318,070	1,478,307	735,920	438,817
Total non current assets	797,250	697,177	712,610	712,610	712,610	712,610	712,610	9,090	22,709	7,239
Total current liabilities	142,584	180,589	235,482	142,672	142,672	142,672	142,672	139,927	84,125	82,253
Total non current liabilities	45,291	41,244	33,499	1,015	1,015	1,015	1,015	-	-	-
Community wealth/Equity	667,971	527,142	684,510	886,992	886,992	886,992	886,992	(124,051)	(668,797)	62,596
<b>Cash flows</b>										
Net cash from (used) operating	(10,631)	14,434	101,919	47,963	47,963	47,963	47,963	36,289	35,038	47,872
Net cash from (used) investing	(5,838)	(8,871)	(33,568)	(34,019)	(34,019)	(34,019)	(34,019)	(44,000)	(39,220)	(42,010)
Net cash from (used) financing	(228)	(553)	(752)	(783)	(783)	(783)	(783)	(779)	-	-
<b>Cash/cash equivalents at the year end</b>	<b>(16,697)</b>	5,010	67,599	13,161	13,161	13,161	13,161	(8,490)	(12,672)	(6,810)
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	1,001	6,029	(38,193)	985	985	985	985	1,012	1,095	-
Application of cash and investments	128,868	173,749	(51,606)	(73,691)	(73,691)	(73,691)	(58,541)	(265,921)	(263,418)	(146,039)
<b>Balance - surplus (shortfall)</b>	<b>(127,867)</b>	(167,720)	13,413	74,676	74,676	74,676	59,526	266,933	264,513	146,039
<b>Asset management</b>										
Asset register summary (WDV)	827,123	713,073	443,732	414,770	414,770	414,770	414,770	697,177	734,825	774,505
Depreciation	56,167	76,017	26,535	27,890	27,890	27,890	27,890	51,624	54,412	57,350
Renewal and Upgrading of Existing Assets	-	4,373	-	8,170	8,170	8,170	8,170	1,834	5,203	2,687
Repairs and Maintenance	11,884	12,961	11,059	13,672	13,672	13,672	13,672	14,396	15,174	15,993
<b>Free services</b>										
Cost of Free Basic Services provided	8,696	8,696	8,696	11,494	11,494	11,494	12,091	12,091	12,744	13,432
Revenue cost of free services provided	3,581	3,817	4,062	4,277	4,277	4,277	4,500	4,500	4,743	4,999
<b>Households below minimum service level</b>										
Water:	0	0	0	0	0	0	0	0	0	0
Sanitation/sewerage:	2	2	2	2	2	2	2	2	2	2
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-



### **Explanatory notes to MBRR Table A1 - Budget Summary**

1. 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);
2. 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;
3. 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;
4. 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;
5. Capital expenditure is balanced by capital funding sources funded by National Government.
6. Internally generated funds will mainly provide for Township establishment infrastructure.
7. 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.
8. 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



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

FS181 Masilonyana - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		137,173	83,362	138,779	87,894	87,894	87,894	177,004	188,507	202,502
Executive and council		(1,058)	45,656	85,579	29,372	29,372	29,372	-	-	-
Finance and administration		138,113	37,706	53,200	58,522	58,522	58,522	177,004	188,507	202,502
Internal audit		119	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		1,236	141	150	26,441	26,441	26,441	-	-	-
Community and social services		976	140	149	18,759	18,759	18,759	-	-	-
Sport and recreation		-	-	-	4,268	4,268	4,268	-	-	-
Public safety		260	1	1	2,080	2,080	2,080	-	-	-
Housing		-	-	-	1,334	1,334	1,334	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		-	-	6	24,929	24,929	24,929	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	6	24,929	24,929	24,929	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		129,058	165,495	127,418	170,326	170,326	170,326	121,718	145,583	135,218
Energy sources		20,270	46,581	42,888	60,532	60,532	60,532	39,156	58,563	43,499
Water management		77,832	34,758	48,145	63,654	63,654	63,654	42,255	44,537	46,942
Waste water management		20,295	20,769	22,098	28,308	28,308	28,308	24,479	25,801	27,194
Waste management		10,660	63,386	14,288	17,831	17,831	17,831	15,828	16,682	17,583
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	267,468	248,997	266,353	309,589	309,589	309,589	298,722	334,090	337,720
<b>Expenditure - Functional</b>										
<i><b>Governance and administration</b></i>		172,558	208,022	185,204	80,846	80,846	80,846	147,024	147,911	170,707
Executive and council		100,734	6,628	96,179	25,624	25,624	25,624	33,171	36,700	28,552
Finance and administration		63,308	201,394	89,024	31,678	31,678	31,678	112,785	110,085	142,155
Internal audit		8,516	-	-	23,543	23,543	23,543	1,068	1,126	-
<i><b>Community and public safety</b></i>		13,863	12,526	-	35,750	35,750	35,750	19,185	19,999	15,204
Community and social services		9,362	12,526	-	28,147	28,147	28,147	14,182	14,726	11,209
Sport and recreation		2,164	-	-	3,085	3,085	3,085	2,132	2,247	2,368
Public safety		1,148	-	-	3,184	3,184	3,184	1,465	1,544	1,627
Housing		1,189	-	-	1,334	1,334	1,334	1,406	1,483	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		54,300	3,332	11,059	24,408	24,408	24,408	16,734	19,120	13,585
Planning and development		5,789	-	-	5,309	5,309	5,309	6,872	8,575	8,882
Road transport		48,510	3,332	11,059	19,099	19,099	19,099	9,861	10,545	4,703
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		69,253	136,317	24,453	131,757	131,757	131,757	176,256	184,612	185,764
Energy sources		32,150	39,214	21,613	57,930	57,930	57,930	72,717	85,922	80,001
Water management		8,434	7,873	2,840	30,085	30,085	30,085	74,427	78,450	73,754
Waste water management		7,588	2,088	-	26,749	26,749	26,749	14,006	14,742	15,537
Waste management		21,082	87,142	-	16,993	16,993	16,993	15,106	5,498	16,471
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	309,974	360,197	220,716	272,761	272,761	272,761	359,198	371,642	385,260
<b>Surplus/(Deficit) for the year</b>		(42,507)	(111,200)	45,637	36,828	36,828	36,828	(60,476)	(37,552)	(47,540)

**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.
- 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	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue by Vote</b>	1									
Vote 1 - Finance & Admin		32,404	41,406	65,692	51,498	51,498	51,498	168,895	179,635	195,683
Vote 2 - Executive & Council		12,866	16,761	21,723	35,149	35,149	35,149	-	-	-
Vote 3 - Community and Social Services		14,644	3,340	149	14,768	14,768	14,768	-	-	-
Vote 4 - Internal Audit		-	-	-	-	-	-	-	-	-
Vote 5 - Water Management		32,606	31,901	59,436	58,315	58,315	58,315	42,255	44,537	46,942
Vote 6 - Waste Water Management		19,484	22,770	31,978	28,308	28,308	28,308	24,479	25,801	27,194
Vote 7 - Waste Management		11,993	20,145	23,483	17,731	17,731	17,731	15,828	16,682	17,583
Vote 8 - Energy Sources		28,626	41,858	54,364	61,785	61,785	61,785	39,156	58,563	43,499
Vote 9 - Planning and Development		3,229	2,415	-	-	-	-	-	-	-
Vote 10 - Sports & Recreation		8,541	5,305	-	2,443	2,443	2,443	-	-	-
Vote 11 - Road Transport		48,479	48,540	1,000	1,000	1,000	1,000	-	-	-
Vote 12 - Health		-	-	-	-	-	-	-	-	-
Vote 13 - Housing		1,122	1,166	-	1,334	1,334	1,334	-	-	-
Vote 14 - Public Safety		1,316	1,642	-	2,080	2,080	2,080	-	-	-
Vote 15 - Finance & Admin 2		-	-	-	-	-	-	8,109	8,872	6,819
<b>Total Revenue by Vote</b>	2	<b>215,310</b>	<b>237,248</b>	<b>257,824</b>	<b>274,411</b>	<b>274,411</b>	<b>274,411</b>	<b>298,722</b>	<b>334,090</b>	<b>337,720</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Finance & Admin		176,035	33,549	20,532	31,678	31,678	31,678	83,526	80,049	113,170
Vote 2 - Executive & Council		4,786	44,473	37,075	49,168	49,168	49,168	33,171	36,700	28,552
Vote 3 - Community and Social Services		11,705	19,726	29,935	28,147	28,147	28,147	6,044	6,253	2,279
Vote 4 - Internal Audit		-	-	-	-	-	-	1,068	1,126	-
Vote 5 - Water Management		5,360	33,443	27,034	30,085	30,085	30,085	74,427	78,450	73,754
Vote 6 - Waste Water Management		26,739	21,791	20,094	26,749	26,749	26,749	14,006	14,742	15,537
Vote 7 - Waste Management		14,284	17,973	10,394	16,993	16,993	16,993	15,106	5,498	16,471
Vote 8 - Energy Sources		60,958	48,302	32,186	57,930	57,930	57,930	72,717	85,922	80,001
Vote 9 - Planning and Development		2,101	3,241	7,939	5,309	5,309	5,309	6,872	8,575	8,882
Vote 10 - Sports & Recreation		2,718	4,666	2,901	3,085	3,085	3,085	1,942	2,047	2,158
Vote 11 - Road Transport		30,965	32,653	31,633	22,283	22,283	22,283	9,861	10,545	4,703
Vote 12 - Health		-	6	-	-	-	-	-	-	-
Vote 13 - Housing		1,122	1,284	1,667	1,334	1,334	1,334	1,406	1,483	-
Vote 14 - Public Safety		-	629	-	-	-	-	8,760	9,129	8,930
Vote 15 - Finance & Admin 2		-	-	-	-	-	-	28,637	29,379	28,985
<b>Total Expenditure by Vote</b>	2	<b>336,773</b>	<b>261,735</b>	<b>221,389</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>357,544</b>	<b>369,899</b>	<b>383,422</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(121,463)</b>	<b>(24,487)</b>	<b>36,435</b>	<b>1,650</b>	<b>1,650</b>	<b>1,650</b>	<b>(58,822)</b>	<b>(35,809)</b>	<b>(45,702)</b>

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

- 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue By Source</b>											
Property rates	2	35,062	29,434	42,213	44,450	44,450	44,450	44,450	48,006	50,598	53,330
Service charges - electricity revenue	2	16,933	20,364	31,540	32,182	32,182	32,182	34,630	36,580	55,848	40,637
Service charges - water revenue	2	31,327	30,056	34,563	36,403	36,403	36,403	40,167	38,296	40,364	42,544
Service charges - sanitation revenue	2	15,306	17,722	19,676	20,396	20,396	20,396	23,269	21,456	22,615	23,836
Service charges - refuse revenue	2	7,196	8,709	12,945	12,637	12,637	12,637	15,046	13,294	14,012	14,768
Rental of facilities and equipment		308	339	149	157	157	157	157	165	174	183
Interest earned - external investments		384	63	564	594	594	594	594	625	659	694
Interest earned - outstanding debtors		7,555	28,990	4,757	5,179	5,179	5,179	5,179	5,448	5,742	6,052
Dividends received		5	2	6	8	8	8	8	8	8	8
Fines, penalties and forfeits		260	224	1	500	500	500	500	526	554	584
Licences and permits											
Agency services											
Transfers and subsidies		93,098	105,315	89,833	110,412	110,412	110,412	110,412	121,876	130,403	141,262
Other revenue	2	1,316	6,603	3,760	-	-	-	-	350	369	389
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208,750</b>	<b>247,821</b>	<b>240,006</b>	<b>262,917</b>	<b>262,917</b>	<b>262,917</b>	<b>274,411</b>	<b>286,630</b>	<b>321,346</b>	<b>324,288</b>
<b>Expenditure By Type</b>											
Employee related costs	2	86,295	85,165	89,286	94,018	94,018	94,018	94,018	98,372	103,202	108,789
Remuneration of councillors		6,253	6,071	6,893	7,258	7,258	7,258	7,258	7,636	8,048	8,483
Debt impairment	3	69,331	95,590	35,000	51,324	51,324	51,324	51,324	89,423	89,444	94,275
Depreciation & asset impairment	2	56,167	76,017	26,534	27,940	27,940	27,940	27,940	51,761	54,411	57,350
Finance charges		6,847	11,038	1,335	1,406	1,406	1,406	1,406	1,479	1,558	1,643
Bulk purchases	2	33,711	36,293	24,453	42,848	42,848	42,848	42,848	54,172	56,660	59,296
Other materials	8	10,366	12,961	11,059	13,952	13,952	13,952	13,952	7,823	8,264	8,663
Contracted services		-	-	3,175	3,818	3,818	3,818	3,818	24,607	25,521	23,831
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	40,904	36,738	23,565	30,197	30,197	30,197	30,197	23,926	24,534	22,929
Loss on disposal of PPE		101	324	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>309,974</b>	<b>360,197</b>	<b>221,299</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>272,761</b>	<b>359,198</b>	<b>371,643</b>	<b>385,260</b>
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		65,579	15,139	30,913	34,019	34,019	34,019	34,019	45,621	40,447	43,317
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	3,645	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(35,645)</b>	<b>(97,238)</b>	<b>53,265</b>	<b>24,175</b>	<b>24,175</b>	<b>24,175</b>	<b>35,669</b>	<b>(26,946)</b>	<b>(9,849)</b>	<b>(17,655)</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>(35,645)</b>	<b>(97,238)</b>	<b>53,265</b>	<b>24,175</b>	<b>24,175</b>	<b>24,175</b>	<b>35,669</b>	<b>(26,946)</b>	<b>(9,849)</b>	<b>(17,655)</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(35,645)</b>	<b>(97,238)</b>	<b>53,265</b>	<b>24,175</b>	<b>24,175</b>	<b>24,175</b>	<b>35,669</b>	<b>(26,946)</b>	<b>(9,849)</b>	<b>(17,655)</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>(35,645)</b>	<b>(97,238)</b>	<b>53,265</b>	<b>24,175</b>	<b>24,175</b>	<b>24,175</b>	<b>35,669</b>	<b>(26,946)</b>	<b>(9,849)</b>	<b>(17,655)</b>

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

- Total revenue is R286 million in 2019/2020, R321 million and R324 million in 2020/2021 and 2021/2022 respectively.
- Revenue to be generated from property rates is R48 million for 2019/2020 which represents 17% 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 R110 million (38%) million for the 2019/2020.

3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government and they amount to R122million.

**Table 12: MBRR A5 Consolidated Budgeted Capital Expenditure by Vote**



MLM: FS181 FINAL BUDGET AND MTREF 2019-2020

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Finance & Admin		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive & Council		-	-	-	261	261	261	261	-	-	-
Vote 3 - Community and Social Services		-	-	4	480	480	480	480	-	-	-
Vote 4 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 5 - Water Management		-	3,057	346	-	-	-	-	11,951	11,202	12,000
Vote 6 - Waste Water Management		-	-	-	9,036	9,036	9,036	9,036	18,254	17,352	4,544
Vote 7 - Waste Management		-	-	-	385	385	385	385	231	-	-
Vote 8 - Energy Sources		-	3,614	-	-	-	-	-	3,510	4,914	5,184
Vote 9 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 10 - Sports & Recreation		-	-	-	80	80	80	80	10,054	1,099	-
Vote 11 - Road Transport		-	4,373	-	558	558	558	558	-	4,653	14,585
Vote 12 - Health		-	-	-	-	-	-	-	-	-	-
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 14 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 15 - Finance & Admin 2		1,042,714	-	-	712,610	712,610	712,610	712,610	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	<b>1,042,714</b>	<b>11,043</b>	<b>350</b>	<b>723,411</b>	<b>723,411</b>	<b>723,411</b>	<b>723,411</b>	<b>44,000</b>	<b>39,220</b>	<b>36,313</b>
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Finance & Admin		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive & Council		-	-	-	261	261	261	261	-	-	-
Vote 3 - Community and Social Services		-	-	4	480	480	480	480	-	-	-
Vote 4 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 5 - Water Management		-	3,057	346	-	-	-	-	11,951	11,202	12,000
Vote 6 - Waste Water Management		-	-	-	9,036	9,036	9,036	9,036	18,254	17,352	4,544
Vote 7 - Waste Management		-	-	-	385	385	385	385	231	-	-
Vote 8 - Energy Sources		-	3,614	-	-	-	-	-	3,510	4,914	5,184
Vote 9 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 10 - Sports & Recreation		-	-	-	80	80	80	80	10,054	1,099	1,307
Vote 11 - Road Transport		-	4,373	-	558	558	558	558	-	4,653	15,673
Vote 12 - Health		-	-	-	-	-	-	-	-	-	-
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 14 - Public Safety		-	-	-	-	-	-	-	-	-	3,302
Vote 15 - Finance & Admin 2		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>-</b>	<b>11,043</b>	<b>350</b>	<b>10,801</b>	<b>10,801</b>	<b>10,801</b>	<b>10,801</b>	<b>44,000</b>	<b>39,220</b>	<b>42,010</b>
<b>Total Capital Expenditure - Vote</b>		<b>1,042,714</b>	<b>22,086</b>	<b>699</b>	<b>734,211</b>	<b>734,211</b>	<b>734,211</b>	<b>734,211</b>	<b>88,000</b>	<b>78,441</b>	<b>78,323</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		64,000	2,655	2,588	1,221	1,221	1,221	1,221	-	-	-
Executive and council		64,000	2,655	2,588	1,151	1,151	1,151	1,151	-	-	-
Finance and administration		-	-	-	70	70	70	70	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	495	4,224	4,224	4,224	4,224	10,054	5,752	5,697
Community and social services		-	-	405	3,098	3,098	3,098	3,098	-	-	3,302
Sport and recreation		-	-	0	1,036	1,036	1,036	1,036	10,054	1,099	1,307
Public safety		-	-	90	90	90	90	90	-	4,653	1,088
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	13,841	9,091	5,132	5,132	5,132	5,132	-	-	14,585
Planning and development		-	-	-	1,000	1,000	1,000	1,000	-	-	-
Road transport		-	13,841	9,091	4,132	4,132	4,132	4,132	-	-	14,585
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	22,384	24,602	24,602	24,602	24,602	33,946	33,468	21,728
Energy sources		-	-	6,750	1,000	1,000	1,000	1,000	3,510	4,914	5,184
Water management		-	-	13,634	14,232	14,232	14,232	14,232	11,951	11,202	12,000
Waste water management		-	-	-	6,770	6,770	6,770	6,770	18,254	17,352	4,544
Waste management		-	-	2,000	2,600	2,600	2,600	2,600	231	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	<b>64,000</b>	<b>16,496</b>	<b>34,558</b>	<b>35,179</b>	<b>35,179</b>	<b>35,179</b>	<b>35,179</b>	<b>44,000</b>	<b>39,220</b>	<b>42,010</b>
<b>Funded by:</b>											
National Government		64,000	13,925	30,913	34,019	34,019	34,019	34,019	44,000	39,220	42,010
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	<b>64,000</b>	<b>13,925</b>	<b>30,913</b>	<b>34,019</b>	<b>34,019</b>	<b>34,019</b>	<b>34,019</b>	<b>44,000</b>	<b>39,220</b>	<b>42,010</b>
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	3,645	1,160	1,160	1,160	1,160	-	-	-
<b>Total Capital Funding</b>	7	<b>64,000</b>	<b>13,925</b>	<b>34,558</b>	<b>35,179</b>	<b>35,179</b>	<b>35,179</b>	<b>35,179</b>	<b>44,000</b>	<b>39,220</b>	<b>42,010</b>



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

1. 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.
2. 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
3. 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.
4. The capital programmes are funded from national capital grants and internally generated funds.

### **Table 13: MBRR A6 consolidated Budgeted Financial Position**





**FS181 Masilonyana - Table A6 Budgeted Financial Position**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		952	6,029	(40,742)					1,012	1,095	-
Call investment deposits	1	49	-	2,549	985	985	985	985	-	-	-
Consumer debtors	1	26,248	19,546	200,750	317,085	317,085	317,085	317,085	780,118	734,825	438,817
Other debtors		54	39	78,106	-	-	-	-	-	-	-
Current portion of long-term receivables		18,711	25,647	-	-	-	-	-	-	-	-
Inventory	2	421	537	219	-	-	-	-	697,177	-	-
<b>Total current assets</b>		<b>46,435</b>	<b>51,798</b>	<b>240,882</b>	<b>318,070</b>	<b>318,070</b>	<b>318,070</b>	<b>318,070</b>	<b>1,478,307</b>	<b>735,920</b>	<b>438,817</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		(4,026)	-	-	-	-	-	-	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	801,276	697,177	712,610	712,610	712,610	712,610	712,610	9,090	22,709	7,239
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>797,250</b>	<b>697,177</b>	<b>712,610</b>	<b>712,610</b>	<b>712,610</b>	<b>712,610</b>	<b>712,610</b>	<b>9,090</b>	<b>22,709</b>	<b>7,239</b>
<b>TOTAL ASSETS</b>		<b>843,685</b>	<b>748,975</b>	<b>953,491</b>	<b>1,030,680</b>	<b>1,030,680</b>	<b>1,030,680</b>	<b>1,030,680</b>	<b>1,487,398</b>	<b>758,629</b>	<b>446,056</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	1,001	770	-	1,000	1,000	1,000	1,000	-	-	-
Consumer deposits		(0)	(147)	(162)	-	-	-	-	-	-	-
Trade and other payables	4	141,583	179,966	235,645	141,672	141,672	141,672	141,672	139,927	84,125	82,253
Provisions		-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>		<b>142,584</b>	<b>180,589</b>	<b>235,482</b>	<b>142,672</b>	<b>142,672</b>	<b>142,672</b>	<b>142,672</b>	<b>139,927</b>	<b>84,125</b>	<b>82,253</b>
<b>Non current liabilities</b>											
Borrowing		1,968	1,300	1,689	1,015	1,015	1,015	1,015	-	-	-
Provisions		43,323	39,944	31,810	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		<b>45,291</b>	<b>41,244</b>	<b>33,499</b>	<b>1,015</b>	<b>1,015</b>	<b>1,015</b>	<b>1,015</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>187,875</b>	<b>221,833</b>	<b>268,981</b>	<b>143,688</b>	<b>143,688</b>	<b>143,688</b>	<b>143,688</b>	<b>139,927</b>	<b>84,125</b>	<b>82,253</b>
<b>NET ASSETS</b>	5	<b>655,810</b>	<b>527,142</b>	<b>684,510</b>	<b>886,992</b>	<b>886,992</b>	<b>886,992</b>	<b>886,992</b>	<b>1,347,471</b>	<b>674,504</b>	<b>363,803</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		655,810	527,142	684,510	886,992	886,992	886,992	886,992	1,347,471	674,504	363,803
Reserves	4	12,161	-	-	-	-	-	-	(1,471,522)	(1,343,301)	(301,206)
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>667,971</b>	<b>527,142</b>	<b>684,510</b>	<b>886,992</b>	<b>886,992</b>	<b>886,992</b>	<b>886,992</b>	<b>(124,051)</b>	<b>(668,797)</b>	<b>62,596</b>

**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:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;



5. Provisions non-current;
  6. Changes in net assets; and
  7. Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates				42,213	28,893	28,893	28,893	28,893	24,003	25,299	26,665
Service charges		54,845	44,432	107,569	73,523	73,523	73,523	73,523	60,859	64,145	67,609
Other revenue		874	787	4,325	757	757	757	757	521	549	578
Government - operating	1	99,712	116,091	89,833	110,412	110,412	110,412	110,412	121,876	130,403	141,262
Government - capital	1			30,913	24,019	24,019	24,019	24,019	44,000	39,220	42,010
Interest		384	63	4,757	3,850	3,850	3,850	3,850	3,037	3,200	3,373
Dividends		5	2	6	8	8	8	8	8	8	9
<b>Payments</b>											
Suppliers and employees		(163,244)	(139,845)	(176,362)	(192,092)	(192,092)	(192,092)	(192,092)	(216,535)	(226,229)	(231,992)
Finance charges		(3,207)	(7,096)	(1,335)	(1,406)	(1,406)	(1,406)	(1,406)	(1,479)	(1,558)	(1,643)
Transfers and Grants	1										
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>(10,631)</b>	<b>14,434</b>	<b>101,919</b>	<b>47,963</b>	<b>47,963</b>	<b>47,963</b>	<b>47,963</b>	<b>36,289</b>	<b>35,038</b>	<b>47,872</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		52,609		1,240							
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
<b>Payments</b>											
Capital assets		(58,447)	(8,871)	(34,808)	(34,019)	(34,019)	(34,019)	(34,019)	(44,000)	(39,220)	(42,010)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(5,838)</b>	<b>(8,871)</b>	<b>(33,568)</b>	<b>(34,019)</b>	<b>(34,019)</b>	<b>(34,019)</b>	<b>(34,019)</b>	<b>(44,000)</b>	<b>(39,220)</b>	<b>(42,010)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
<b>Payments</b>											
Repayment of borrowing		(228)	(553)	(752)	(783)	(783)	(783)	(783)	(779)		
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(228)</b>	<b>(553)</b>	<b>(752)</b>	<b>(783)</b>	<b>(783)</b>	<b>(783)</b>	<b>(783)</b>	<b>(779)</b>		
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(16,697)</b>	<b>5,010</b>	<b>67,599</b>	<b>13,161</b>	<b>13,161</b>	<b>13,161</b>	<b>13,161</b>	<b>(8,490)</b>	<b>(4,182)</b>	<b>5,862</b>
Cash/cash equivalents at the year begin:	2								650	(7,840)	(12,022)
Cash/cash equivalents at the year end:	2	(16,697)	5,010	67,599	13,161	13,161	13,161	13,161	(7,840)	(12,022)	(6,160)



**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2019/2020 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term; and.
4. Cash and cash equivalents totals to a positive R650 thousands as at the end of the 2019/2020 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(16,697)	5,010	67,599	13,161	13,161	13,161	13,161	(7,840)	(12,022)	(6,160)
Other current investments > 90 days		17,698	1,019	(105,792)	(12,176)	(12,176)	(12,176)	(12,176)	8,852	13,117	6,160
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>1,001</b>	<b>6,029</b>	<b>(38,193)</b>	<b>985</b>	<b>985</b>	<b>985</b>	<b>985</b>	<b>1,012</b>	<b>1,095</b>	<b>-</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	7,862	9,586	9,586	9,586	13,632	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	128,868	173,749	(51,606)	(73,691)	(73,691)	(73,691)	(58,541)	(265,921)	(263,418)	(146,039)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>128,868</b>	<b>173,749</b>	<b>(51,606)</b>	<b>(65,829)</b>	<b>(64,105)</b>	<b>(64,105)</b>	<b>(48,955)</b>	<b>(252,289)</b>	<b>(263,418)</b>	<b>(146,039)</b>
<b>Surplus(shortfall)</b>		<b>(127,867)</b>	<b>(167,720)</b>	<b>13,413</b>	<b>66,814</b>	<b>65,090</b>	<b>65,090</b>	<b>49,940</b>	<b>253,301</b>	<b>264,513</b>	<b>146,039</b>

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be “funded”. In Masilonyana Local Municipality’s case, there’s positive balance of 253 million for budget year, R264 million for 2020/2021



and R146 million for 2021/2022 respectively. Therefore this indicates that the municipality's budget is funded.

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
  1. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2019/20 MTREF was not funded owing to the significant deficit.
  2. As part of the budgeting and planning guidelines that informed the compilation of the 2019/2020 MTREF the end objective of the medium-term framework was to ensure the budget is fully funded though it is not.

**Table 16: MBRR A9 Consolidated Asset Measurement**



FS181 Masilonyana - Table A9 Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	714,841	6,670	3,046	717,786	717,786	717,786	42,166	34,017	39,322
<i>Roads Infrastructure</i>		-	-	2,696	3,822	3,822	3,822	-	-	9,837
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	5,599	13,142	5,420
<i>Electrical Infrastructure</i>		29,400	3,614	-	712,610	712,610	712,610	3,510	4,914	5,184
<i>Water Supply Infrastructure</i>		399,899	3,057	346	-	-	-	11,951	11,202	12,000
<i>Sanitation Infrastructure</i>		168,894	-	-	-	-	-	12,655	4,210	480
<i>Solid Waste Infrastructure</i>		30	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		598,222	6,670	3,042	716,432	716,432	716,432	33,715	33,468	32,921
<i>Community Facilities</i>		26,825	-	-	-	-	-	-	-	6,400
<i>Sport and Recreation Facilities</i>		1,208	-	-	-	-	-	8,451	549	-
<b>Community Assets</b>		28,032	-	-	-	-	-	8,451	549	6,400
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	-	-	-	-	-	-	-
<i>Housing</i>		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		3,942	-	-	281	281	281	-	-	-
<b>Furniture and Office Equipment</b>		10,150	-	4	993	993	993	-	-	-
<b>Machinery and Equipment</b>		-	-	-	80	80	80	-	-	-
<b>Transport Assets</b>		16,659	-	-	-	-	-	-	-	-
<b>Land</b>		57,835	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	-	-	-	1,603	550	1,307
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	-	-	-
<i>Community Facilities</i>		-	-	-	-	-	-	-	-	-
<i>Sport and Recreation Facilities</i>		-	-	-	-	-	-	1,603	550	1,307
<b>Community Assets</b>		-	-	-	-	-	-	1,603	550	1,307
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	-	-	-	-	-	-	-
<i>Housing</i>		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>		-	-	-	-	-	-	-	-	-
<b>Land</b>		-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-



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<b>Total Upgrading of Existing Assets</b>	6	-	4,373	-	8,170	8,170	8,170	231	4,653	1,380
<i>Roads Infrastructure</i>		-	4,373	-	500	500	500	-	-	292
<i>Storm water Infrastructure</i>		-	-	-	3,427	3,427	3,427	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	231	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	4,373	-	3,927	3,927	3,927	231	-	292
Community Facilities		-	-	-	4,243	4,243	4,243	-	4,653	1,088
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	4,243	4,243	4,243	-	4,653	1,088
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	714,841	11,043	3,046	725,956	725,956	725,956	44,000	39,220	42,009
<i>Roads Infrastructure</i>		-	4,373	2,696	4,322	4,322	4,322	-	-	10,129
<i>Storm water Infrastructure</i>		-	-	-	3,427	3,427	3,427	5,599	13,142	5,420
<i>Electrical Infrastructure</i>		29,400	3,614	-	712,610	712,610	712,610	3,510	4,914	5,184
<i>Water Supply Infrastructure</i>		399,899	3,057	346	-	-	-	11,951	11,202	12,000
<i>Sanitation Infrastructure</i>		168,894	-	-	-	-	-	12,655	4,210	480
<i>Solid Waste Infrastructure</i>		30	-	-	-	-	-	231	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		598,222	11,043	3,042	720,359	720,359	720,359	33,946	33,468	33,213
Community Facilities		26,825	-	-	4,243	4,243	4,243	-	4,653	7,489
Sport and Recreation Facilities		1,208	-	-	-	-	-	10,054	1,099	1,307
<b>Community Assets</b>		28,032	-	-	4,243	4,243	4,243	10,054	5,752	8,795
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		3,942	-	-	281	281	281	-	-	-
Furniture and Office Equipment		10,150	-	4	993	993	993	-	-	-
Machinery and Equipment		-	-	-	80	80	80	-	-	-
Transport Assets		16,659	-	-	-	-	-	-	-	-
Land		57,835	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		714,841	11,043	3,046	725,956	725,956	725,956	44,000	39,220	42,009



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<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	827,123	713,073	443,732	414,770	414,770	414,770	697,177	734,825	774,505
<i>Roads Infrastructure</i>		97,132		92,382	102,301	102,301	102,301	202,368	213,296	224,814
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>		25,218		22,068	26,660	26,660	26,660	56,460	59,508	62,722
<i>Water Supply Infrastructure</i>		169,873		167,502	177,818	177,818	177,818	88,643	93,430	98,475
<i>Sanitation Infrastructure</i>		98,908		98,247	103,454	103,454	103,454	112,597	118,677	125,086
<i>Solid Waste Infrastructure</i>		288,311	597,053	(1,661)	25	25	25	4,205	4,432	4,671
<i>Rail Infrastructure</i>								4,787	5,046	5,318
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
<b>Infrastructure</b>		<b>679,442</b>	<b>597,053</b>	<b>378,538</b>	<b>410,258</b>	<b>410,258</b>	<b>410,258</b>	<b>469,059</b>	<b>494,389</b>	<b>521,086</b>
<b>Community Assets</b>		105,374	87,358	(7,312)	-	-	-	-	-	-
<b>Heritage Assets</b>		15	15		-	-	-	-	-	-
<b>Investment properties</b>		25,832	15,869	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	127,994	134,905	142,190
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		2,096	1,440	3,879	4,085	4,085	4,085	1,440	1,518	1,600
<b>Furniture and Office Equipment</b>		3,019	2,188	405	427	427	427	2,188	2,306	2,431
<b>Machinery and Equipment</b>		585	706					706	744	784
<b>Transport Assets</b>		10,759	8,443	68,221				8,433	8,888	9,368
<b>Land</b>								87,358	92,075	97,047
<b>Zoo's, Marine and Non-biological Animals</b>										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	<b>827,123</b>	<b>713,073</b>	<b>443,732</b>	<b>414,770</b>	<b>414,770</b>	<b>414,770</b>	<b>697,177</b>	<b>734,825</b>	<b>774,505</b>
<b>EXPENDITURE OTHER ITEMS</b>		<b>68,051</b>	<b>88,978</b>	<b>37,594</b>	<b>41,562</b>	<b>41,562</b>	<b>41,562</b>	<b>66,020</b>	<b>69,585</b>	<b>73,343</b>
<b>Depreciation</b>	7	56,167	76,017	26,535	27,890	27,890	27,890	51,624	54,412	57,350
<b>Repairs and Maintenance by Asset Class</b>	3	<b>11,884</b>	<b>12,961</b>	<b>11,059</b>	<b>13,672</b>	<b>13,672</b>	<b>13,672</b>	<b>14,396</b>	<b>15,174</b>	<b>15,993</b>
<i>Roads Infrastructure</i>		-	3,332	2,130	828	828	828	872	919	969
<i>Storm water Infrastructure</i>		-	-	1,415	875	875	875	922	971	1,024
<i>Electrical Infrastructure</i>		-	1,783	-	3,343	3,343	3,343	3,520	3,710	3,911
<i>Water Supply Infrastructure</i>		-	2,191	2,331	2,977	2,977	2,977	3,134	3,304	3,482
<i>Sanitation Infrastructure</i>		-	2,088	2,222	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		11,884	-	-	1,000	1,000	1,000	1,053	1,110	1,170
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		<b>11,884</b>	<b>9,394</b>	<b>8,098</b>	<b>9,023</b>	<b>9,023</b>	<b>9,023</b>	<b>9,501</b>	<b>10,014</b>	<b>10,555</b>
<b>Community Facilities</b>		-	1,000	-	69	69	69	73	77	81
<b>Sport and Recreation Facilities</b>		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	<b>1,000</b>	-	<b>69</b>	<b>69</b>	<b>69</b>	<b>73</b>	<b>77</b>	<b>81</b>
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	1,064	1,095	1,095	1,095	1,153	1,215	1,281
<i>Housing</i>		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	<b>1,064</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,153</b>	<b>1,215</b>	<b>1,281</b>
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>		-	2,567	-	26	26	26	28	29	31
<b>Machinery and Equipment</b>		-	-	-	21	21	21	22	23	25
<b>Transport Assets</b>		-	-	-	1,932	1,932	1,932	2,035	2,145	2,261
<b>Land</b>		-	-	1,897	1,505	1,505	1,505	1,585	1,670	1,761
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		<b>68,051</b>	<b>88,978</b>	<b>37,594</b>	<b>41,562</b>	<b>41,562</b>	<b>41,562</b>	<b>66,020</b>	<b>69,585</b>	<b>73,343</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		0.0%	39.6%	0.0%	1.1%	1.1%	1.1%	4.2%	13.3%	6.4%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0.0%	5.8%	0.0%	29.3%	29.3%	29.3%	3.6%	9.6%	4.7%
<i>R&amp;M as a % of PPE</i>		1.5%	1.9%	1.6%	1.9%	1.9%	1.9%	158.4%	66.8%	220.9%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>		1.0%	2.0%	2.0%	5.0%	5.0%	5.0%	2.0%	3.0%	2.0%



### **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. However with Masilonyana LM it's difficult to budget within those estimates because the infrastructure is aged and needs to be renewed and with R&M there are no funds to budget within the norms.

### **Table 17: MBRR consolidated Basic Service Delivery Measurement**





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FS181 Masilonyana - Table A10 Basic service delivery measurement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		11,297	11,297	11,297	11,297	11,297	11,297	11,297	11,297	11,297
Piped water inside yard (but not in dwelling)		18,829	18,829	18,829	18,829	18,829	18,829	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	7,532	7,532	7,532	7,532	7,532	7,532
<i>Minimum Service Level and Above sub-total</i>		37,658	37,658	37,658	37,658	37,658	37,658	37,658	37,658	37,658
Using public tap (< min.service level)	3	19	19	19	19	19	19	19	19	19
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		19	19	19	19	19	19	19	19	19
<b>Total number of households</b>	5	37,677	37,677	37,677	37,677	37,677	37,677	37,677	37,677	37,677
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		14,762	14,762	14,762	14,762	14,762	14,762	14,762	14,762	14,762
Flush toilet (with septic tank)		572	572	572	572	572	572	572	572	572
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		1,529	1,529	1,529	1,529	1,529	1,529	1,529	1,529	1,529
<i>Minimum Service Level and Above sub-total</i>		16,863	16,863	16,863	16,863	16,863	16,863	16,863	16,863	16,863
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		1,529	1,529	1,529	1,529	1,529	1,529	1,529	1,529	1,529
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		1,529	1,529	1,529	1,529	1,529	1,529	1,529	1,529	1,529
<b>Total number of households</b>	5	18,392	18,392	18,392	18,392	18,392	18,392	18,392	18,392	18,392
<b>Energy:</b>										
Electricity (at least min.service level)		2,918	2,918	2,918	2,918	2,918	2,918	2,918	2,918	2,918
Electricity - prepaid (min.service level)		11,695	11,695	11,695	11,695	11,695	11,695	11,695	11,695	11,695
<i>Minimum Service Level and Above sub-total</i>		14,613	14,613	14,613	14,613	14,613	14,613	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>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	14,613	14,613	14,613	14,613	14,613	14,613	14,613	14,613	14,613
<b>Refuse:</b>										
Removed at least once a week		18,554	18,554	18,554	18,554	18,554	18,554	18,554	18,554	18,554
<i>Minimum Service Level and Above sub-total</i>		18,554	18,554	18,554	18,554	18,554	18,554	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>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	18,554	18,554	18,554	18,554	18,554	18,554	18,554	18,554	18,554
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		1,426	1,426	1,426	2,500	2,500	2,500	4,000	4,200	4,500
Sanitation (free minimum level service)		1,426	1,426	1,426	2,500	2,500	2,500	4,000	4,200	4,500
Electricity/other energy (50kwh per household per month)		1,426	1,426	1,426	2,500	2,500	2,500	4,000	4,200	4,500
Refuse (removed at least once a week)		1,426	1,426	1,426	2,500	2,500	2,500	4,000	4,200	4,500
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		3,582	3,582	3,582	3,764	3,764	3,764	3,959	4,173	4,398
Sanitation (free sanitation service to indigent households)		2,423	2,423	2,423	2,873	2,873	2,873	3,023	3,186	3,358
Electricity/other energy (50kwh per indigent household per month)		1,349	1,349	1,349	2,449	2,449	2,449	2,576	2,715	2,862
Refuse (removed once a week for indigent households)		1,343	1,343	1,343	2,408	2,408	2,408	2,534	2,670	2,815
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		8,696	8,696	8,696	11,494	11,494	11,494	12,091	12,744	13,432
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	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		3,581	3,817	4,062	4,277	4,277	4,277	4,500	4,743	4,999
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										
Other										
<b>Total revenue cost of subsidised services provided</b>	6	3,581	3,817	4,062	4,277	4,277	4,277	4,500	4,743	4,999



### **Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services;
2. The budget provides for 4000 households to be registered as indigent in 2019/2020, and therefore entitled to receiving Free Basic Services. The number is set to increase/decrease given the indigent roadshow that ended end of April.
3. It is anticipated that these Free Basic Services will cost the municipality over R 12 million in 2019/2020. This is covered by the municipality's equitable share allocation from national government; and
4. 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:

1. Registration of community needs;
2. Compilation of departmental business plans including key performance indicators and targets;
3. Financial planning and budgeting process;
4. Public participation process;
5. Compilation of the SDBIP, and
6. 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 2018/2019 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 2018/2019 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year.

#### 2.1.1 Community Consultation

The 2019/2020 MTREF is planned to be tabled by 31 May 2019 for consideration and adopted by the 01/07/2019, however the tabling was only done on the 21 May 2019 due to non-sitting of Council. The BPP was tabled before council in August 2018 where the budget activities of the 2019/2020 were presented. Council must take note although this has been tabled, some activities were late as a result of non-tabling of the budget 90 days before the new financial year as required by MFMA. For instance that budget public participation was rescheduled due to late tabling of the 2019/2020 Draft MTREF.



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 2019/2020 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 2018/2019 MTREF:

1. The municipality growth;
2. Policy priorities and strategic objectives;
3. Asset maintenance;
4. Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns);
5. Performance trends;
6. The approved 2017/2018 budget and performance against the SDBIP;
7. Cash Flow Management;
8. Debtor payment levels;
9. Investment possibilities;
10. The need for tariff increases versus the ability of the community to pay for services; and as a result Property Rates and Electricity anticipations were above the estimated CPI (PR at 8% and electricity at 13.07%, which was influenced by the tariff increase application )
11. 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:

1. Green Paper on National Strategic Planning of 2009;
2. Government Programme of Action;
3. Development Facilitation Act of 1995;
4. Provincial Growth and Development Strategy (GGDS);
5. National and Provincial spatial development perspectives;
6. Relevant sector plans such as transportation, legislation and policy;
7. National Key Performance Indicators (NKPIs);
8. Accelerated and Shared Growth Initiative (ASGISA);
9. National 2014 Vision;
10. National Spatial Development Perspective (NSDP) and
11. 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 2019/2020 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:

1. Provide electricity;
2. Provide water;
3. Provide sanitation;
4. Provide waste removal;



5. Provide roads and storm water; and
6. Maintaining the infrastructure of the municipality.

b) Economic growth and development that leads to sustainable job creation by:

1. Ensuring there is a clear structural plan, LED strategy for the Municipality;
2. Ensuring planning processes function in accordance with set timeframes; and
3. 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:

1. Effective implementation of the Indigent Policy;
2. Working with the provincial department of health to provide primary health care services;
3. Extending waste removal services and ensuring effective municipal cleansing;
4. Ensuring all waste water treatment works are operating optimally;
5. Working with strategic partners such as SAPS to address crime;6
6. Ensuring save working environments by effective enforcement of building and health regulations;7
7. Promote viable, sustainable communities through proper zoning; and
8. Promote environmental sustainability by protecting wetlands and key open spaces

The 2019/2020 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 FINAL BUDGET AND MTREF 2019-2020

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

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
<b>R thousand</b>													
To ensure that 100% of households in all formal settlement(s) around Masilonyana have access to clean (basic level) of water by July 2017	100% of access to basic level of water for formal settlements households, water infrastructure required to enable achievement of the strategic objective as measured in terms of performance targets, The percentage of households earning R 3 000 per month with access to free basic service			32,606	31,901	53,483	72,547	72,547	72,547	42,255	44,537	46,942	
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	100% of households in formal settlements have access to basic level of sanitation. Sanitation infrastructure.			19,484	22,770	38,666	35,078	35,078	35,078	24,479	25,801	27,194	
To ensure that identified internal roads in Masilonyana area are maintained and / or upgraded to facilitate economic and social activity required for the sustainable development of the municipality; thus implementing the current Infrastructure Master Plan	Repairing of tarred roads, Paving and re-gravelling of roads in accordance with the targets and projects indicated in the MTAS.			48,479	48,540	24,041	4,132	4,132	4,132				
To create employment opportunities in Masilonyana 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.				2,415		1,000	1,000	1,000				
To encourage the appropriate and effective use of land and resources.													
To ensure good waste management in Masilonyana Municipality	Total of 5 landfill sites are licensed, and 4 landfill sites to be upgraded. 100% of households with access to refuse removal and service is at acceptable national standards. 100% of households in informal areas have access to refuse removal at acceptable national standards.			11,993	20,145	25,483	20,331	20,331	20,331	15,828	16,682	17,583	
To ensure effective management of graveyards and cemeteries in Masilonyana Municipal area & other community facilities	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masilonyana Municipal area. Adequate provision for new cemeteries				2,765	5,183	17,866	17,866	17,866				
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 programmes and projects in the MTAS and IDP				5,305	1,685	2,443	2,443	2,443				
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				1,642	5,975	3,414	3,414	3,414				
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			137,655	41,548	81,232	36,370	36,370	36,370	177,004	188,507	202,502	
Improve community participation in the affairs of the Municipality	Number of public participation conducted on IDP				5,921	22,911	53,624	53,624	53,624				
Maintain a legitimate database of human settlement and erven waiting list	Creation of world standard towns and cities by reducing informal settlements				4,866								
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			39,133	41,025	30,579	62,785	62,785	62,785	39,156	58,563	43,499	
<b>Allocations to other priorities</b>													
<b>Total Revenue (excluding capital transfers and contributions)</b>				1	289,350	235,982	283,262	309,590	309,590	309,590	298,722	334,090	337,720





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



MLM: FS181 FINAL BUDGET AND MTREF 2019-2020

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

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
To ensure that 100% of households in all formal settlement(s) around Masilonyana have access to clean (basic level)	100% of access to basic level of water for formal settlements households, water infrastructure required to enable achievement of			5,360	36,409	27,034	30,085	30,085	30,085	74,427	78,450	73,754	
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	100% of households in formal settlements have access to basic level of sanitation. Sanitation infrastructure.				14,514	20,094	6,643	6,643	6,643	14,006	14,742	15,537	
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.				26,311	34,967	19,099	19,099	19,099	9,861	10,545	4,703	
To create employment opportunities in Masilonyana Municipal Area; based on projects and programmes outlined in the	(Number of) Employment opportunities created through targeted IDP projects. No of employment created through			48,230	8,621	18,164	31,678	31,678	31,678				
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				14,514	10,394	16,993	16,993	16,993	15,106	5,498	16,471	
To ensure effective management of graveyards and cemeteries in Masilonyana Municipal area & other community facilities	Adequate provision for, safe and well maintained graveyards and cemeteries. The fencing of all cemeteries in Masilonyana				7,119	24,379	28,147	28,147	28,147				
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				2,124	2,901	3,085	3,085	3,085	2,132	2,247	2,368	
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					15,529							
Adhere to all budget regulations, ensure that the municipality has an effective revenue collection system consistent	Policies reviewed, monitored, evaluated and approved by Council, developed, updated and			176,035	52,245	40,114	49,168	49,168	49,168	170,949	174,239	192,424	
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	100% of households in formal settlements have access to basic level of sanitation. Sanitation infrastructure.				9,648	9,490	26,749	26,749	26,749				
Improve community participation in the affairs of the Municipality	Number of public participation conducted on IDP			4,786	17,467								
Maintain a legitimate database of human settlement and erven waiting list	Creation of world standard towns and cities by reducing informal settlements				2,915	1,667	3,184	3,184	3,184				
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			60,958	50,955	32,186	57,930	57,930	57,930	72,717	85,922	80,001	
<b>Allocations to other priorities</b>													
<b>Total Expenditure</b>				1	295,369	261,205	221,390	272,761	272,761	272,761	359,198	371,643	385,260



**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	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousand</b>												
Provide appropriate HR support to directbrates, to ensure healthy & safe working environment for councillors & employees, ensure Public Safety	Sustainable and continuous reports on HR development, continuous M&evaluation of Health & Safety committees, effective Public Safety	A		5,234	394	400	70	70	70			
		B				90	90	90	90			
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.	C		390		9,091	4,132	4,132	4,132			
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	D				2,000	2,600	2,600	2,600	231		
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	E		31,404	15,870	405	3,098	3,098	3,098			
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	F			1,309		1,036	1,036	1,036	10,054	5,752	5,697
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	G		1,342	1,726	6,750	1,000	1,000	1,000	3,510	4,914	5,184
Good Governance and Public Participation	PMU	H		5,062	2,300	2,188	1,151	1,151	1,151			
To ensure that 100% of households in all formal settlement(s) around Masilonyana have access to clean (basic level) LED and Planning	100% of access to basic level of water for formal settlements households, water infrastructure required to enable achievement of SPLUMA implementation and LED capacity	I		1,847		13,634	14,232	14,232	14,232	11,951	11,202	12,000
		J		2,700	1,125		1,000	1,000	1,000			
To ensure that 100% of households in formal settlements in Masilonyana area have access to basic level of sanitation by 2017	100% of households in formal settlements have access to basic level of sanitation. Sanitation infrastructure.	K					6,770	6,770	6,770	18,254	17,352	4,544
		L										
		M										
		N										
		O										
		P										
<b>Allocations to other priorities</b>			3									
<b>Total Capital Expenditure</b>			1	<b>47,979</b>	<b>22,724</b>	<b>34,558</b>	<b>35,179</b>	<b>35,179</b>	<b>35,179</b>	<b>44,000</b>	<b>39,220</b>	<b>27,426</b>

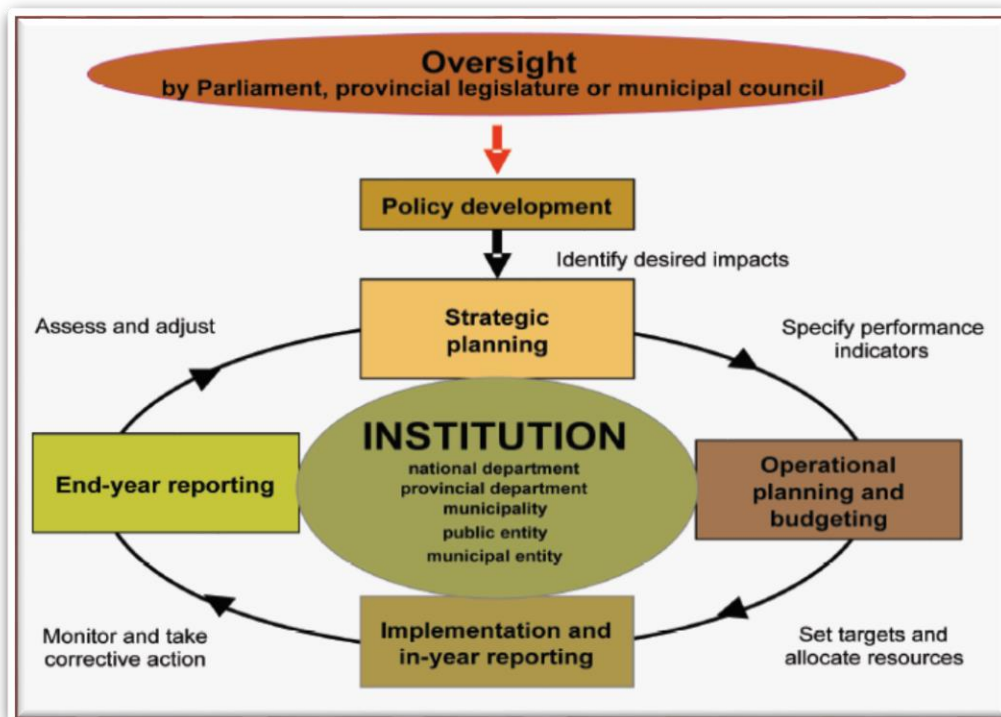


## 2.4 Measurable performance objectives and indicators

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 organizational 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:

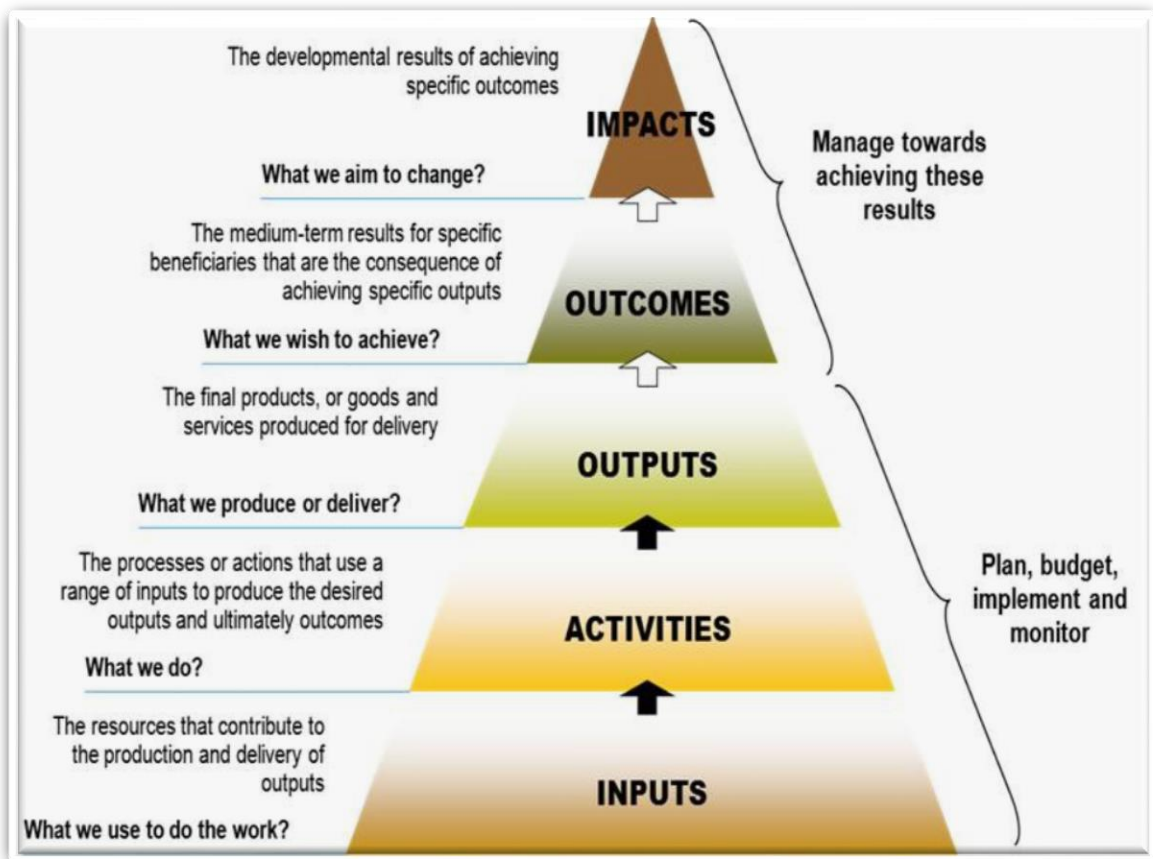


The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which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



1. Planning (setting goals, objectives, targets and benchmarks);
2. Monitoring (regular monitoring and checking on the progress against plan);
3. Measurement (indicators of success);
4. Review (identifying areas requiring change and improvement);
5. Reporting (what information, to whom, from whom, how often and for what purpose); and
6. 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:



## 2.5 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
- Budget policy
- Tariff policy
- Indigent policy



- Fixed Asset management policy
- Cash management & investment policy
- Credit control & Debt Collection policy
- Supply Chain Management policy
- Unauthorized, Irregular Fruitless and Wasteful policy
- Bad debt write-off policy
- Policy governing payments of creditors, councilors and officials
- Subsistence and Travel policy
- Disclosure Related parties' policies
- Events after reporting date policy and procedure manual
- Virements Policy

The 2019/20 MTREF has been prepared on the basis of achieving an average debtors' collection rate 50 percent on current billings, considering that the collection rate is currently estimated at 25% on average. 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.

## **2.6 Overview of the budget assumptions**

### **2.6.1 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 2019/2020 MTREF, namely:

1. National Government macro-economic targets;
2. The general inflationary outlook and the impact on the residents and businesses;
3. The impact of municipal cost drivers;
4. The increase in prices for bulk electricity and water; and
5. The increase in the cost of remuneration. Employee related costs comprise 27% of the total operating expenditure in the 2019/2020.

### **2.6.2 Interest Rates on borrowing and Investment of Funds**

The MFMA stipulates that borrowing can only be utilized 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%.

### **2.6.3 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 +-25 percent of annual billings. Cash flow is assumed to be 50 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 of additional cash in-flow once the performance has been carefully monitored.

#### 2.6.4 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.

## 2.7 Legislation compliance status

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

### 2.7.1. 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.

### 2.7.2 Internship programme

Currently the Municipality have 8 interns who resumed duties in July and September 2018, and they are on a 2 year contract.

### 2.7.3. Audit Committee

There's currently no audit committee in place, however the Municipality has outsourced the service to the District Municipality Audit Committee.

### 2.7.4. Service Delivery and Implementation Plan

A detailed SDBIP document is in place and it is directly aligned and informed by the 2018/2019 MTREF budget and Integrated Development Plan. The 2019/20 SDBIP will also be drafted and aligned to the 2019/2020 MTREF. This document will be approved by the Mayor 28 days after the budget is approval by council.



## 2.8 **QUALITY CERTIFICATE**

### **QUALITY CERTIFICATE**

I, Pule Tsekedi, the Municipal Manager of Masilonyana Local Municipality, hereby certify that:

#### **2019/2020 MTREF Budget**

has been prepared in accordance with Section 21 & 53 of the Municipal Finance Management Act 56 of 2003 and the relevant regulations.

Name : Pule Tsekedi

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

### **RECOMMENDATIONS:**

1. That council takes note and adopts the following:
  - the 2019/2020 MTREF Budget,
  - 2019/2020 reviewed budget and non-budget related policies
  - Final tariff book for 2019/2020