

EXTRACT FROM THE MINUTES OF ORDINARY COUNCIL MEETING OF MASILONYANA LOCAL MUNICIPALITY HELD ON THE 30th JUNE 2022 IN KAPS BANYANE
 HALL – THEUNISSEN AT 11h00

IN ATTENDANCE

Cllr SN Makata	Speaker
Cllr DE Modise	Mayor
Cllr MS Letsie	Councillor
Cllr MTW Moroane	Councillor
Cllr PS Tlahadi	Councillor
Cllr TC Tladi	Councillor
Cllr MZ Likoebe	Councillor
Cllr NH Kototsa	Councillor
Cllr B Phehlane	Councillor
Cllr MG Fosi	Councillor
Cllr BG Rossouw	Councillor
Cllr M Visser	Councillor
Cllr PE Putsoenyane	Councillor
Cllr TB Molahlo	Councillor
Cllr SP Mabesa	Councillor
Cllr WA Potgieter	Councillor
L Mokoteli	Acting: Municipal manager
MM Sello	Director: Social & Community services
L. Mokoteli	Director: Technical Services
MK Khoahane	Chief Finance Officer
Z Ntjwabule	Manager: Office of the Mayor
TA Zingitwa	Manager: Office of the Speaker
M Mahula	Senior Administration Officer

NO	ITEMS	BACKGROUND	DISCUSSIONS	RESOLUTIONS
13	13.1 Draft Integrated Development Plan (IDP) and Draft Budget MTRF: 2022 – 2023 for Maslonyana Local Municipality.	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 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) That Council of Maslonyana Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act; 2003 (No. 56 of 2003) tabling the Draft Budget.	<p>The Democratic Alliance (DA) asked to be recused from the resolution that approve the budget under the following reasons:</p> <ul style="list-style-type: none"> • The budget is a copy and paste of previous budgets, adjusted by unverified figures. No audited Financial Statements are available to ensure proper oversight on the performance of the previous budgets, and to measure if the goals set out was met or missed, and by which margin of error. • Nice slogans like "5000 indigents" "Property Rates R69.5m (without a valuation roll), "anticipated collection rate of 58%", etc sound nice on paper, but is not realistic. • Litigations detail the budget of this municipality. We have no hand over report from the Director of Corporate Services, and no accountability on this oversight. (Resigned 1 July 2020). All we have is the acknowledgement that we don't 	<p>That Council approve the draft 2022/2023 IDP and Budget as the final document of the Maslonyana Local Municipality.</p> <p>That Council approve the budget with the following budget related policies:</p> <ol style="list-style-type: none"> (a) Municipal property rates policy. (b) Budget policy. (c) Tariff policy. (d) Indigent policy. (e) Fixed asset management policy. (f) Cash management and Investment policy. (g) Credit control & Debt collection policy.

	<p>Budget allocation in terms of the operations and capital budget:</p> <p>The municipality's total operating expenditure and capital budget is estimated to be R483 million. Operating expenditure has been projected at R431 million. The Municipality's capital expenditure amounts to R52.4 million that the 100% is funded from grants. This is supported with a revenue base of R 363 million from service charges, property rates and operational grants. The budget has a deficit R67 million, and non-cash items that constitutes a big chunk of the non-cash expenditure amounting to R140 million, this is based on the most recent financial statement submitted to AG</p> <p>The municipality has a history of financial constraints due to low collection rate but is currently implementing the water and electricity prepaid smart meters to enhance the revenue.</p>	<p>know the status of litigations, and that the appointment of a Director "is a process" since the advert closed on March 14.</p> <ul style="list-style-type: none"> Section 80 committees and MPAC not performing adequate oversight, Finance does not sit, we have no reports from MPAC or Audit Committee. Billing system still broken, disputes not resolved, crippling revenue collection even further, and indigent register still not credible and up to date. Unauthorised, Irregular, Fruitless and Wasteful Expenditures were last properly addressed after the AG report for the 2016 – 2017 year, recommendations not implemented, key positions not filled. <p>PUBLIC PARTICIPATION</p> <ul style="list-style-type: none"> No effective public participation was achieved. The official WhatsApp group has a total of 197 participants, out of a total of 17 000 households. The website is so out of date that it still shows the late Mayor, and the councillors elected in 2011. Before DA can be expected to approve a budget, we need to be 	<p>(h) Supply chain Management policy.</p> <p>(i) Unauthorized, irregular fruitless and wasteful expenditure.</p> <p>(j) Policy governing payments of creditors, Councillors and officials.</p> <p>(k) Subsistence and travel policy.</p> <p>(l) Disclosure related parties' policy.</p> <p>(m) Events after reporting date policy and procedure.</p> <p>(n) Virements policy.</p> <p>Tariffs Book for 2022/2023 for tariffs be VAT inclusive.</p> <p>That Council approve all the projects listed in the Integrated Development Policy (IDP).</p>
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	<p>All tariffs will increase by 4.8% as guided by National Treasury MFMA Circular 115, however electricity tariffs have been requested for an increase of 7.47% which is pending NERSA approval, Commonage tariff are aligned to the Provincial Commonage Policy, and Rental of Land and Town Planning tariffs are aligned to the market value and governing legislations.</p> <p>That cognizance be taken that the operational budget is inclusive of the non-cash items which are Depreciation and assets impairment of R121 million and Debt impairment of R19 million, and the debt impairment amount is due to the anticipated revenue collection of 58% on average, with 50% on all service charges and 95% on electricity prepaid, broken down as follow:</p> <ul style="list-style-type: none"> - Property Rates – 50% - Electricity Conventional - 50% - Electricity prepaid – 95% - Water – 50% - Sewerage – 50% 	<p>updated on what was achieved from the previous budget, and what were the reasons for failure to achieve, as well as accountability on these failures.</p> <ul style="list-style-type: none"> • The Mayor's report on Radical Economic Transformation is the same old jargon that we publish every year. Fact is that we have less water, less streetlights, more potholes, more sewer spills, more contractors performing jobs that should be attended inhouse, and NO MONEY. • Despite DA insisting that Eskom be a standing item at every Council Sitting, we have never received a report, while the outstanding debt just keeps escalating. • Despite the DA insisting on a credible, populated Organogram there is still none, no skills audit, no performance or consequence management. • Despite insisting that the Audit Committee submit a report – still there is none. • Despite our requests that municipality engage with Sports bodies, Churches, NGO's, and others on tariffs it does not happen. 	
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	<p style="text-align: center;">- Refuse – 50%</p> <p>There is also an amount of R 60 million Gazetted on the DORA for Regional Bulk Infrastructure Grant transfers, and R460 thousand for Integrated National Electrification Programme however these are Gazetted as in-kind capital grants and will not be reflected in the 2022/2023 Adopted Municipal MTRF.</p> <p>The total MIG budget is inclusive of Project Management Unit budget, which is not capital but funded by the MIG.</p> <p>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 <i>section 8 of the Municipal Budget and Reporting Regulations</i>.</p>	<ul style="list-style-type: none"> • The workshop on policies leaves more questions than answers, Tariff policy not even discussed, no amendments to the rebates made. • The tariff book is still the same unintelligible copy and paste exercise, without any amendments to tariffs as advised, for instance reflecting winter and summer tariffs from Eskom. And of course, it must be VAT inclusive – the price you see MUST be the price you pay. • The DA need to know exactly how many vehicles will be bought / rented out of this budget – no indication in the document. • The DA do not approve this slapdash last minute for compliance-sake Maslonyana Local Municipality Budget for 2022 – 2023.
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	<p>The main challenges experienced during the compilation of the 2022/23 MTREF can be summarized as follows:</p> <ol style="list-style-type: none"> 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 two 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, also high outstanding debts which the Municipality is unable to meet due to tariff 6. Wage increases for municipal staff 		
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	<p>Tariff and property rate increases should be affordable. In addition, tariffs need to remain or move towards being cost reflective and should consider the need to address Infrastructure backlogs; and are increased by 4.8% as per the Circular 115.</p> <p>Total operating revenue stands at 362 million for the 2022/23 financial year while total operating expenditure has been appropriated at R431 million, R356 million in 2023/2024 and R351 in 2024/2025. The operating expenditure budget is inclusive of non-cash item as reported above.</p> <p>Operational grants form the largest component of the revenue basket for the municipality which amounts to R151 million the second largest source is service charges at R123 million when we are not considering grant and subsidies.</p> <p>Property Rates constitutes R 69.5 million of the operating budget.</p>		
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	<p>The Council's expenditure framework for the 2022/23 budget and MTREF is informed by the following:</p> <ol style="list-style-type: none"> (1) Employee related costs incorporating inclusive of salary increases for 22/23 FY (2) maintenance plan. (3) Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA (4) The capital programs (capital budget implementation plan and conditional grants attached). (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. 		
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	<p>Expenditure: 2022/2023</p> <p>The budgeted allocation for employee related costs for the financial year amounts to R124 million, which equals 29 percent of the total operating expenditure; Employee related cost overall will increase by 4.9 percent to accommodate salary increases and include bargaining council agreement. Overall, the total employee related cost and Councilor's remuneration of R7.9 million totals to 31 percent of the budget.</p> <p>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 R19 million for the 2022/23 financial year and equates to 4 percent of the total operating expenditure.</p>		
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	<p>Finance charges consist primarily of interest on ESKOM outstanding debt and other charges, other creditors who are providing services to the Municipality and are not paid on time</p> <p>Bulk purchases are directly informed by the purchase of electricity from Eskom. The Eskom payment plan has been taken into consideration for these years budgeted.</p> <p>The Bulk purchase constitutes 15 percent of the total operating budget. It is therefore imperative that the municipality prioritises the reduction of the distribution losses to maximum income generation from this expenditure item which has already been prioritized.</p> <p>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 cases</p>		
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		<p>the Municipality does not comply due to financial constraints but will eventually meet the target, however to due aging infrastructure the Municipality is unable to meet the set percentage and most projects are to renew the infrastructure.</p> <p>Contracted services take into consideration the cost of mSCOA support, government garage, compilation of AFS and Repairs & Maintenance and constitutes R39 million or 9% of the budget</p> <p>Other general expenses have been identified as one of the highest cost drivers for the municipality. In the 2022/2023 financial year, this group of expenditure totals R27 million or 6 percent of the total operational budget.</p> <p>In the 2022/2023 an amount of R51 million has been appropriated for the trading services which represents 100 percent of the total capital, to ensure that service delivery issues are corrected.</p>		
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	<p>Revenue to be generated from property rates is R69.5 million for 2022/2023 which constitutes 19% 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 R123 million (34%) million for the budget year.</p> <p>Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government, and they amount to R151 million</p> <p>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</p>		
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	<p>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 funding assessment of the MTRRF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer- years.</p> <p>The capital programmes are 100% funded from national capital grants.</p> <p>IDP and Service Delivery and Budget Implementation Plan</p> <p>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</p>		
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	<p>Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:</p> <ol style="list-style-type: none"> 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. <p>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.</p>		
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	<p>During the compilation of the 2022/2023 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year.</p> <p>Community Consultation</p> <p>The 2022/2023 MTREF will be tabled by 31 March 2022. The Budget Process Plan was tabled before council in August 2021 where the budget activities of the 2022/2023 were presented.</p> <p>All documents in the appropriate format will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the <i>Municipal Finance Management Act</i>, as evidence that the budget processes and public participation indeed took place.</p>		
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	<p>Free Basic Services: Basic Social Services Package</p> <p>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 5000 or more indigents households during the 2022/2023 over MTREF financial year, a process reviewed annually, roadshows are currently underway in all towns in January 2022 to ensure that qualifying consumers are encouraged to register The Indigent is an ongoing process).</p> <p>The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share of R147 million receivable in terms of the annual Division of Revenue Bill.</p>		
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	<p>Overview of alignment of annual budget with IDP</p> <p>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.</p> <p>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</p> <p>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.</p>		
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	<p>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.</p> <p>Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.</p> <p>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</p>		
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	<p> 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. </p> <p> 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. </p>		
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	<p>The following highlights the IDP's five strategic objectives for the 2020/2021 MTREF and further planning refinements that have directly informed the compilation of the budget.</p> <p>Enhance financial sustainability -Strategies to ensure financial stability by raising revenue strategies, asset management, and financial management, enhance cost effectiveness and capital investment programmes.</p> <p>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 Maslonyana and promote agricultural and tourism development.</p>		
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	<p>Plan</p> <p>Masilionyana 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.</p> <p>Develop a learning organization</p> <p>Masilionyana 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.</p> <p>Establish effective and efficient services - Provide quality and sustainable electrical services, maintain road networks and storm water drainage system for all the community of Masilionyana effective on-going water and sanitation services, waste -management services</p>		
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	<p>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</p>		
	<p>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.</p>		
	<p>To ensure integrated and focused service delivery between all spheres of government, it was important for the Maslonyana 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.</p>		

	<p>Budget related policies</p> <p>Maslonyana 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:</p> <ul style="list-style-type: none"> - 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, councillors and officials 		
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		<ul style="list-style-type: none"> - Subsistence and Travel policy - Disclosure Related parties' policies - Events after reporting date policy and procedure manual - Virement policy <p>The 2022/23 MTREF has been prepared based on achieving an average debtors' collection rate 57 percent in average. In addition, the collection of debt in excess of 90 days will be prioritized by enforcing the credit control policy.</p> <p>Finally, debt owed by Councilors and municipal staff has been prioritized for speedy recovery and where there's such debt, deductions are made against Councilors and officials of the municipality, and also to ensure that Councilors pays off the debt within the prescribed term.</p>	
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	<p>Collection rate for revenue services</p> <p>The base assumption is that tariff and rates will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The rate of revenue collection is currently expressed as a percentage +25 percent of annual billings. Cash flow is assumed to be 57 percent of billings in average, due to the SMART prepaid electricity meters that are currently being installed and the project will assist to enhance the revenue collection as it is anticipated to start generating income for all users.</p> <p>Legislation compliance status</p> <p>In year reporting</p> <p>Reporting to National Treasury in electronic format will fully be complied with monthly. mSCOA data strings reporting to the Mayor (within 10 working days) is fully complied with.</p>		
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		<p>Internship programmes</p> <p>Currently the Municipality have 5 interns who resumed duties in July 2021, and one of the interns was appointed to be Internal Audit Officer and will resume duties on the 01/07/2022</p> <p>Audit Committee</p> <p>There's an Audit Committee in place that was appointed during 2021/22 financial year.</p>		
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	<p>Service Delivery and Implementation Plan</p> <p>A detailed SDBIP document is in place and it is directly aligned and informed by the 2021/2022 MTREF budget and Integrated Development Plan. The 2022/23 SDBIP will also be drafted and aligned to the 2022/23 MTREF. This document will be approved by the Mayor 28 days after the budget is approved by council.</p>		
<p>Certified to be a true reflection of the original minutes.</p> <p> CHr SN Makata Speaker</p>			