



APPROVED BUDGET OF

# GREATER GIYANI MUNICIPALITY

2020/21 TO 2022/23  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS

Approved by council on 29 June 2020

Copies of this document can be viewed:

- At the receptions of all municipal buildings
- All public libraries within the municipality
  - At [www.greatergiyani.gov.za](http://www.greatergiyani.gov.za)

## Table of Contents

ANNEXURE.....	1
<b>PART 1 – APPROVED BUDGET.....</b>	<b>3</b>
1.1 Mayors Report .....	3
1.2 Council Resolutions.....	9
1.3 Executive Summary.....	11
1.4 Operating Revenue Framework.....	14
1.5 Operating Expenditure Framework.....	17
1.6 Capital Expenditure.....	19
1.7 Annual Budget Tables.....	20
<b>PART 2 – SUPPORTING DOCUMENTATION.....</b>	<b>31</b>
2.1. Overview of the Approved Budget Process.....	31
2.2. Overview of the alignment of Annual Budget with IDP.....	36
2.3. Overview of Budget Related Policies.....	38
2.4. Overview of Budget Assumptions.....	39
2.5. Overview of Budget Funding.....	39
2.6. Expenditure on allocations and grants programmes.....	39
2.7. Allocations of grants made by the municipality.....	40
2.8. Councillors and board member allowances and employee benefits.....	41
2.9. Monthly targets for revenue, expenditure and cash flow.....	42
2.10. Contracts having future budgetary implications.....	43
2.11. Capital expenditure details.....	44
2.12. Legislation compliance status.....	45
2.13. Other supporting documentation.....	46
2.14. Approved budgets of municipal entities.....	47
2.15. Municipal Manager’s quality certification.....	48

## Part 1 – Approved Budget

### 1.1 Mayor's Report

Honourable Speaker and your august house, allow me to indicate that following the precepts of the constitution, we have in January this year – managed to hold the annual strategic planning session. It is in this session that we confirmed the municipal vision, mission and objectives. This, to determine strategies needed to fast track the most needed service delivery.

It is during this session that we also managed to analyse the projects and programs which had been under implementation, as well as come with new ones.

We have managed, during the session to analyse challenges which faced the municipality. Most stifling has been the covid-19 pandemic which stifled our planning – particularly during the last quarter of the financial year.

#### **Town Planning and Land Use**

Allow me honourable Speaker, to express my pleasure that we have managed to proclaim vacant land which has allowed us to demarcate 539 residential sites. This has alleviated the problem of not being able to provide sites for our community – since the dawn of democracy. I hope and believe that this development will minimize – if not eradicate illegal land invasions.

While on town planning honourable Speaker, allow me to state that this very august council has approved that a Municipal Planning Tribunal be established. This will undoubtedly fast track land development which has always been at the heart of service delivery issues.

#### **FINANCIAL VIABILITY**

##### **REVENUE COLLECTION**

I wish to let this august house know that have a very dedicated team of bureaucrats who are constantly managing to collect more than 9 million rand per quarter. However, this has just been interrupted in the last quarter of the financial year, because of the advent of the covid-19 pandemic.

## TARIFF INCREASES

The following table reflects the multi-year tariff assumptions for the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF):

<b>Revenue category</b>	<b>2020/2021 proposed tariff increase</b>	<b>2021/2022 proposed tariff increase</b>	<b>2022/2023 proposed tariff increase</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Property Rates	4.5%	4.6%	4.6%
Refuse Removal / Solid Waste Sales	4.5%	4.6%	4.6%

Property rate increases are necessitated by among others the inflation rate. It is therefore pertinent that in light of the inflation forecast and our need to remain afloat as critical government institution that property rates are increased. The property rates will go up by 4.5 %, this increase is in terms of the Municipal Budget Circular No. 99 for the 2020/21 MTREF.

It is no secret that when inflation rises, the cost of delivering services also increases, these include labour costs, maintenance costs and running cost. Thus, these factors call for an increase in user charges.

Having taken into consideration the various factors such as income levels, unemployment and off course, the inflation forecast, and the following increases will be implemented in the 2020/21 financial year. Refuse removal will go up by 4.5%.

Rental of municipal facilities are based on cost recovery. Factors such as electricity costs, water usage, maintenance costs, personnel costs, overtime costs and cleaning material were taken into account.

## INDIGENTS

Registered indigents will continue receiving the following services:

- 100% rebates on assessment rates
- Free 6 Kilolitres of water
- Free refuse removal

Equally, we call upon residents who qualify for indigents packages to come forward and register so that they also can benefit from this package.

## **SPECIAL PROGRAMMES**

Annually we allocate a budget for special programs in the office of the mayor. It has been categorized to spread across gender, youth, older persons, children, HIV/AIDS, Traditional Affairs, Excellence Awards and bursaries.

On all categories we fared well except on the fronts of excellence awards and bursaries. This of course has been caused by the covid-19 pandemic which never allowed the usual free movement. Worst of all, schools have since been closed.

## **INFRASTRUCTURE DEVELOPMENT AND BASIC SERVICE DELIVERY**

### **Provision of Water**

Although we are not a water services authority, we are fully aware of the plight of our people. We have set aside funds to provide 2 (two) water tankers and 31 jojo tanks to provide water in all of our villages, this was the efforts in collaboration with the District Municipality as a water service authority who consented to this in line with approved service level agreement with the, this will assist our communities in provision fro basis services and to deal with the pandemic that has befall in our land.

### **Roads and Transport**

It is with pride that I inform this august house that we have managed to pave a 5.1 km road at Makosha village. We are currently completing the 4.2 km road between Homu 14A and B. The paving of the 7.1 km road at section F is underway.

### **Sporting facilities**

Honourable Speaker, the yoke has been lifted from the municipality's shoulders. This as we have managed to complete the construction of the Mageva stadium.

Funds have also been set aside to continue with the long stalled construction of the sports centre at section E. The job might not be finished by the end of the financial year, but we are getting there.

I am pleased to announce that sooner, we shall be having a 32 km tar road between Mageva and Makhuva villages. Another 29 km tar road will be constructed between Thomo and Hlomela villages. This of course with the help of SANRAL.

It would be unfair of me honourable Speaker not to mention the continued support we are receiving from the national treasury. We have just received 62 million rand which will help a great deal, as much of our budget has been depleted by the protocols of the fight against covid-19. Because of this honourable speaker, we have a 3 million rand surplus.

May I announce honourable Speaker that we have set aside funds to construct a waste disposal site Sikhunyani under the Mabunda traditional authority. It is because of this that I expect our bureaucrats to help alleviate the illegal dumping problem.

The Budget I am to present is in line with the provision of the Municipal Finance Management Act, amongst other things the following are legal imperatives for consideration:-

The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year (MFMA/Section 16 (1)).

A municipality council must at least 30 days before the start of the budget year consider approval of the annual budget: MFMA Section 24(1). An annual budget must generally be divided into capital and operating budgets: MFMA/ Section 17(2).

An annual budget must be funded from realistically estimated revenues to be collected, cash-backed accumulated funds from previous years surpluses not committed for other purposes, and, borrowed funds ( but only for the capital budget): MFMA/Section 18 (1).

An annual budget must be approved together with the adoption of resolutions as may be necessary: MFMA Section 24(2) (c) and Regulation 17(Municipal Budget Reporting Regulation) requires a municipal council to consider and adopt separate resolutions dealing with each of the items contemplated in Section 24(2) (c) of the MFMA.

The Municipal budget for the financial year **2020/21** amount to **R599 756 742 (Including the additional funds provided at National level)**

**Here under are the projects for 2020/21:**

Development of By laws	100,000.00
Purchase of Skip and Street Bins	100,000.00
Purchase of Walk Through metal detector	200,000.00
Automated Audit System	200,000.00
Help Desk Software	300,000.00
Vehicle Licencing & Reg_ Law Enforcement Equipment	500,000.00
Fire Arms	500,000.00

Purchase of Air Conditioners	500,000.00
Purchase of Camera & Monitor	500,000.00
Servicing of 539 sites	500,000.00
Blink water upgrading of internal streets	500,000.00
Nkuri Zamani upgrading of internal streets	500,000.00
Computer Equipment	650,000.00
Golf Course Development	800,000.00
Jim-Nghalalume Community Hall	1,000,000.00
N'wadzekudzeku Community Hall	1,000,000.00
Xikukwane Gravel To TARR(RAL)(D3804 & D3805)	1,000,000.00
Mavalani Indoor Sports Centre	1,000,000.00
Shimange Upgrading from gravel to paving	1,000,000.00
Purchase & installation of 31 water tanks	1,000,000.00
Automated PMS System	1,170,000.00
Makosha Upgrading from Gravel to Paving	1,290,724.00
Purchase of Furniture and Office Equipment	1,300,000.00
Alternative Road to Giyani from R81	1,500,000.00
Thomo upgrading of internal streets	1,500,000.00
Giyani Section E Upgrading from Gravel to Tar Phase 2	1,650,834.00
Upgrading of Parking Lot	2,000,000.00
Refurbishment of Sporting Facilities (Gawula)	2,000,000.00
Refurbishment of Shivulani Sports Centre	2,000,000.00
Homu14B Sports centre	2,000,000.00

Giyani Section E Upgrading from Gravel to Paving	2,000,000.00
Computer Equipment(Tablets and printers	2,200,000.00
Hire of 2 water tankers	2,200,000.00
ICT Network Infrastructure	2,500,000.00
Civic Centre Building Phase 4	2,500,000.00
Purchase of Motor Vehicles	3,000,000.00
Section E Sports Centre	3,000,000.00
Upgrading of Traffic Lights & R81 Lighting	3,800,000.00
Purchase of Machinery and Equipment	5,000,000.00
Homu 14B to 14A Upgrading from Gravel to Tar	5,731,059.00
Civic Centre Building Phase 3	12,500,000.00
Nkomo B to A (D3837) Upgrading from Gravel to Tar	16,400,000.00
Giyani Section F Streets Phase 3	19,340,390.00
Waste Disposal Site Development	30,204,997.00
<b>TOTALS</b>	<b>138,638,004.00</b>

I now formally present the **final 2020/2021 IDP, and MTREF BUDGET FOR 2020/21 FINANCIAL YEAR AND THE TWO OUTER YEARS 2021/22 and 2022/23** coupled with the mscoa data string, Tariff structure, Service Standards (in terms of MFMA Budget circular no. 75 and 78), Organisational structure and budget related policies for **Approval** by Council.

## 1.2. Council Resolutions

On 29 June 2020 the Council of Greater Giyani Local Municipality have a virtual meeting to consider the approved budget of the municipality for the financial year 2020/21. The Council approved and adopted the following resolutions:

1. The Council of Greater Giyani Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2020/21 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 ;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 ;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 ; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table A6 ;
    - 1.2.2. Budgeted Cash Flows as contained in Table A7 ;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 ;
    - 1.2.4. Asset management as contained in Table A9 ; and
    - 1.2.5. Basic service delivery measurement as contained in Table A10.
2. The Council of Greater Giyani Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020:
  - 2.1. the tariff structure of municipal services as set out in Annexure A.
3. To give proper effect to the municipality's annual budget, the Council of Greater Giyani Local Municipality approves:
  - 3.1. 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 the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

**SIGNED FOR AND ON BEHALF OF  
THE GREATER GIYANI MUNICIPAL COUNCIL**

**SPEAKER**

**29/06/2020**

\_\_\_\_\_  
**CLLR M P HLUNGWANI**

\_\_\_\_\_  
**DATE**

**MAYOR**

**29/06/2020**

\_\_\_\_\_  
**CLLR B A SHIVAMBU**

\_\_\_\_\_  
**DATE**

**COUNCILLOR FOR FINANCE**

**29/06/2020**

\_\_\_\_\_  
**CLLR K A MANGANYI**

\_\_\_\_\_  
**DATE**

### 1.3. Executive Summary

National Treasury's MFMA Circular No. 98 and 99 were used to guide the compilation of the 2020/21 MTREF.

The main challenges experienced during the compilation of the 2020/21 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2020/21 MTREF process; and

#### IMPACT OF COVID-19 ON THE BUDGET

The COVID-19 virus was declared a global pandemic by the World Health Organisation (WHO). On 5 March 2020, South Africa registered its first positive case where after new infections and transmissions spread rapidly across the country. Having considered the magnitude and severity of the virus and the possible future impact thereof on South Africa as a whole, the Minister of Cooperative Governance and Traditional Affairs on 15 March 2020 officially declared a national state of disaster as per section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002). As the spread of the virus intensified, President Ramaphosa on 23 March 2020 announced a nationwide 21-day lockdown which would come into effect at midnight, Thursday, 26 March 2020.

The Municipality draft budget IDP would have been tabled on the 26<sup>th</sup> of March 2020, but however due to lockdown the Council sitting was postponed to future date and was only held on the 14<sup>th</sup> May 2020, with the assessment of the draft budget with Treasury taking place on the 5<sup>th</sup> June 2020 after the lockdown was eased, this placed strained on the consultation processes where the municipality resorted to technological means including the website and radio stations due to pandemic. The final budget, in compliance with legislation was adopted on 28<sup>th</sup> May 2020 while awaiting inputs from Treasury and other stakeholders.

Section 27(2) of the Disaster Management Act allows for the development of regulations to, for the duration of the state of disaster, assist, protect and provide relief to the public; protect property; prevent disruptions and/or assist with dealing with the destructive and other effects of the disaster in question. Such regulations were official proclaimed in the Government Gazette on 25 March 2020. On the 9<sup>th</sup> April President Ramaphosa

announced an extension to the lock down as early termination of the lockdown would undermine efforts already taken by government and likely to put the people's lives at risk.

It is projected that the lockdown would have a negative impact on the municipal budgets due to the fact that Municipalities have to carry additional responsibilities and costs in dealing with the pandemic.

These additional responsibilities include higher levels of services such as more frequent refuse removal, water provision in water constrained communities, extra-ordinary cleansing of public facilities, monitoring of social gatherings, environmental health inspections etc.

Municipal revenues are also expected to decline as a result of the closing of the economy due to lockdown. Municipalities are required to review the growth in the revenue base for the 2020/21 MTREF given the possible impact of the economy on new developments.

The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:

- The 2019/20 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2020/21 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the approved 2020/21 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2020/21 MTREF**

R thousand	Adjustments Budget 2019/20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Operating Revenue	520,556	599,757	548,192	580,176
Total Operating Expenditure	413,528	458,119	455,663	487,479
<i>(Surplus)/Deficit for the year</i>	107,027	141,638	92,530	92,697
Total Capital Expenditure	107,027	138,638	92,530	92,697

Total operating revenue has gone up by 15.215 per cent or R79, 2 million for the 2020/21 financial year when compared to the 2019/20 Adjustments Budget. For the two outer years, operational revenue will decrease by 8.598 in 2021/2022 and then increase by 5.834 per cent in 2022/2023.

Total operating expenditure for the 2020/21 financial year has been appropriated at R458.1million and translates into a budgeted surplus of R141, 6 million. When compared to the 2019/20 Adjustments Budget, operational expenditure has grown by 10,783 per cent in the 2020/21 budget and decrease by 0.536 and then increase by 6.982 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decreases to R92, 5 million and then stabilise at R92, 6 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R138.6 million for 2020/21 is 29.536 per cent more when compared to the 2019/20 Adjustment Budget. The capital programme decreases to R92, 5 million in the 2021/22 financial year and then increase in 2022/23 to R92, 6 million. A substantial portion of the capital budget will be funded from the local government equitable share over MTREF. The balance will be funded from internally generated funds.

### 1.3.1. Operating Revenue Framework

For Greater Giyani Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

The following table is a summary of the 2020/2021 MTREF (classified by main revenue source):

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

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>	1										
Property rates	2	33,865	35,683	40,659	39,976	72,972	72,972	72,972	77,548	81,305	85,243
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	4,473	4,595	4,685	5,400	5,644	5,644	5,644	5,921	6,205	6,503
Rental of facilities and equipment		880	839	959	1,222	1,404	1,404	1,404	860	901	944
Interest earned - external investments		15,175	11,959	5,053	5,000	8,158	8,158	8,158	8,558	8,968	9,399
Interest earned - outstanding debtors		5,646	12,205	15,155	3,400	19,698	19,698	19,698	20,663	21,655	22,695
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		31	6,256	14,710	10,000	2,010	2,010	2,010	2,108	2,210	2,316
Licences and permits		4,926	5,161	5,716	6,000	7,070	7,070	7,070	14,218	11,830	12,426
Agency services		319	227	240	-	-	-	-	-	-	-
Transfers and subsidies		222,488	255,854	275,908	303,024	308,182	308,182	308,182	387,001	347,130	368,748
Other revenue	2	1,842	4,505	2,038	2,351	34,728	34,728	34,728	22,593	2,520	2,641
Gains on disposal of PPE		-	542	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>289,644</b>	<b>337,825</b>	<b>365,125</b>	<b>376,373</b>	<b>459,868</b>	<b>459,868</b>	<b>459,868</b>	<b>539,471</b>	<b>482,724</b>	<b>510,915</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2019/20 financial year, revenue from rates and services charges totalled R78, 6 million. This stabilise at R83.4 million, R87.5 million and R91.7 million in the respective financial years of the MTREF.

Operating grants and transfers totals R387 million in the 2020/21 financial year and steadily decreases to R368, 7 million by 2022/23.

**Table 3 Operating Transfers and Grant Receipts**

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		232,488	261,320	275,874	303,024	302,974	302,974	387,001	347,130	368,748
Local Government Equitable Share										
Finance Management		219,308	234,578	253,351	287,217	287,217	287,217	369,568	329,500	348,361
EPWP Incentive		1,810	2,145	2,145	2,145	2,145	2,145	2,000	2,300	2,500
Integrated National Electrification Programme		1,158	4,364	3,519	3,362	3,362	3,362	3,409	-	-
		10,000	20,000	16,666	10,000	10,000	10,000	11,724	15,000	17,527
		-	-	-	-	-	-	-	-	-
LG SETA		212	233	193	300	250	250	300	330	360

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, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 4.5 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI 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, chemicals, cement etc. The current challenge facing the Municipality 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. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

**Table 4 Comparison of proposed rates to levied for the 2020/21 financial year**

Category	Current Tariff (1 July 2019)	Proposed tariff (from 1 July 2020)
	c	C
Residential properties	0,00698	0,00729
State owned properties	0,04606	0,04813
Industrial properties	0.01382	0.01444
Business & Commercial	0,02792	0,02917
Farms	0.00177	0.00185

The following table compares current and proposed amounts payable from 1 July 2020:

**Table 5 Comparison between current waste removal fees and increases**

Description	Current tariffs 2019/20	Proposed tariffs 2020/21
Refuse Removal daily collection	R2 939,47	R3 071,74
Refuse removal Businesses	R1 984,77 per month	R2 074,08 per month
Refuse removal government	R1 984,77 per month	R2 074,08 per month
Refuse removal Business Medium	R 992,38 per month	R 1 037,04 per month
Refuse removal Business Small	R 418,73 per month	R 437,57 per month
Refuse removal residential	R 37,21 per month	R 38,89 per month
Refuse removal indigent	Free	Free

### 1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2020/21 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):

**Table 6 Summary of operating expenditure by standard classification item**

Expenditure By Type											
Employee related costs	2	119,525	130,476	133,756	164,551	141,970	141,970	141,970	173,678	182,311	193,300
Remuneration of councillors		19,432	22,238	23,415	23,923	23,923	23,923	23,923	25,023	26,424	27,904
Debt impairment	3	25,229	39,891	29,173	16,000	30,000	30,000	30,000	34,300	30,000	31,000
Depreciation & asset impairment	2	38,554	244,119	85,945	30,000	50,000	50,000	50,000	68,000	60,000	64,000
Finance charges			111	1,474	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	16,265	4,456	4,642	9,000	13,140	13,140	13,140	6,840	6,840	9,843
Contracted services		-	34,614	35,305	71,238	101,407	101,407	101,407	92,009	94,808	102,836
Transfers and subsidies		-	-	-	1,000	700	700	700	960	-	-
Other expenditure	4, 5	101,309	80,493	63,617	56,479	52,389	52,389	52,389	57,309	55,278	58,596
Loss on disposal of PPE		2,380	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>322,694</b>	<b>556,399</b>	<b>377,328</b>	<b>372,191</b>	<b>413,528</b>	<b>413,528</b>	<b>413,528</b>	<b>458,119</b>	<b>455,663</b>	<b>487,479</b>

The budgeted allocation for employee related costs for the 2020/21 financial year totals R173, 6 million, which equals 37.91 per cent of the total operating expenditure. Based on the National Treasury circular for budget, salary increases have been factored into this budget at a percentage increase of 6, 5 per cent for the 2020/21 financial year. An annual increase of 5, 6 per cent has been included in the two outer years of the MTREF.

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 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality budget.

The provision of debt impairment was determined. For the 2020/21 financial year this amount to R34, 3 million and decrease to R31 million by 2022/23. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R68 million for the 2020/21 financial and equates to 14.84 per cent of the total operating expenditure.

Other materials comprise of amongst others the materials for maintenance of roads, electricity and municipal buildings. For 2020/21 the appropriation against this group of expenditure has went down by 47, 95 per cent (R6, 3 Million) and remain the same in 2021/2022 and then increase by 43.90 per cent for 2022/2023.

Other expenditure comprises of various line items relating to the daily operations of the municipality and operational projects. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. For 2020/21 this expenditure increases by 9, 39 per cent.

#### 1.3.4. Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2020/21 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 7 Operational repairs and maintenance**

Repairs and Maintenance	8										
Employee related costs											
Other materials		16,265			4,500	4,100	4,100	4,100			
Contracted Services			2,879	4,475	10,135	42,215	42,215	42,215	39,380	37,130	39,190
Other Expenditure											
<b>Total Repairs and Maintenance Expenditure</b>	<b>9</b>	<b>16,265</b>	<b>2,879</b>	<b>4,475</b>	<b>14,635</b>	<b>46,315</b>	<b>46,315</b>	<b>46,315</b>	<b>39,380</b>	<b>37,130</b>	<b>39,190</b>

During the compilation of the 2020/21 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality infrastructure and historic deferred maintenance. The total allocation for 2020/21 equates to R39.3 million a decrease of 14, 97 per cent in relation to the Adjustment Budget and continues to grow by 5.55% in 2022/23. In relation to the total operating expenditure, repairs and maintenance comprises of 8, 60 ; 8, 15 and 8, 04 per cent for the respective financial years of the MTREF.

#### 1.3.5. 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 Municipality Indigent Policy. The target is to register 19 073 or more indigent households during the 2020/21 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

### 1.3.6. Capital expenditure

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

**Table 8 2020/21 Medium-term capital budget per vote**

<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>	3,149	21,405	7,715	30,400	26,888	26,888	26,888	18,450	7,650	9,300	
Executive and council	-	-	-	-	-	-	-	-	-	-	
Finance and administration	3,149	21,405	7,715	30,400	26,888	26,888	26,888	18,250	7,650	9,300	
Internal audit	-	-	-	-	-	-	-	200	-	-	
<b>Community and public safety</b>	2,021	36,895	7,439	25,401	17,146	17,146	17,146	30,500	33,000	36,000	
Community and social services	-	-	-	100	100	100	100	6,000	14,000	23,000	
Sport and recreation	2,021	36,895	7,439	25,251	17,046	17,046	17,046	10,000	19,000	13,000	
Public safety	-	-	-	50	-	-	-	2,000	-	-	
Housing	-	-	-	-	-	-	-	12,500	-	-	
Health	-	-	-	-	-	-	-	-	-	-	
<b>Economic and environmental services</b>	25,354	77,099	63,933	39,769	57,093	57,093	57,093	55,083	51,280	46,297	
Planning and development	-	-	-	1,167	100	100	100	1,670	1,170	1,170	
Road transport	25,354	77,099	63,933	38,603	56,993	56,993	56,993	53,413	50,110	45,127	
Environmental protection	-	-	-	-	-	-	-	-	-	-	
<b>Trading services</b>	-	265	116	14,300	5,900	5,900	5,900	34,605	600	1,100	
Energy sources	-	265	116	1,700	300	300	300	4,300	500	1,000	
Water management	-	-	-	-	-	-	-	-	-	-	
Waste water management	-	-	-	-	-	-	-	-	-	-	
Waste management	-	-	-	12,600	5,600	5,600	5,600	30,305	100	100	
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	
<b>Total Capital Expenditure - Functional</b>	3	30,524	135,664	79,203	109,870	107,027	107,027	107,027	138,638	92,530	92,697

Transport and roads receives the highest allocation of R53, 4 million in 2020/21 which equates to 38.53 per cent of the total capital budget. Finance and admin is at 13.16 per cent, R18, 2 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). 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.

#### **1.4. Annual Budget Tables**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/21 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the following page.

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

1. Table A1 is a budget summary and provides a concise overview of the Municipality 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:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget.
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. 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. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2020/21, when a small surplus is reflected.
5. 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 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.

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

1. 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.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function.
4. Functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and treasury Office.

**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 the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

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

1. Total revenue is R599 million in 2020/21 and decrease to R580.1 million by 2022/23. This represents a year-on-year increase of 15.215 per cent for the 2020/21 financial year and 5.834 per cent for the 2022/23 financial year.
2. Revenue to be generated from property rates is R77.5 million in the 2020/21 financial year and increases to R85.2 million by 2022/23 which represents 14, 37 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It increases over the medium-term and tariff increases have been factored in at 4, 5 per cent and 4, 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R5.9 million for the 2020/21 financial year and increasing to R6.5 million by 2022/23. For the 2020/21 financial year services charges amount to 1,098 per cent of the total revenue base and grows by 4,803 per cent per annum over the medium-term.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 25, 58 per cent for 2020/21 financial year, decrease by 10.30 per cent in 2021/22 and then increase by 6.23 per cent in 2022/23.

**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. In relation to multi-year appropriations, for 2020/21 has been allocated the total R76, 3 million capital budgets. This allocation increases to R77 million in 2021/22 and then increase again to R80, 9million in 2022/23.
3. Single-year capital expenditure has been appropriated at R62, 3 million for the 2020/21 financial year and decrease constant over the MTREF at levels of R15, 5 million and R11, 7 million respectively for the two outer years.
4. 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.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2020/21, capital transfers totals R57.2 million and increase to R65.7 million by 2022/23.

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. 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.
3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
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.

**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 approved 2019/20 MTREF provide for a further net decrease in cash of R18.2 million for the 2019/20 financial year resulting in an overall projected position cash position of R22,3 million at year end.
4. As part of the 2019/20 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2020/21 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R151, 5 million as at the end of the 2020/21 financial year and increase to R263 million by 2022/23.

**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".
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.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2020/21 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality strives to meet both these recommendations.

**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 municipality continues to make good progress with the eradication of backlogs:
  - a. Refuse services – backlog will be reduced by 5 528 households in 2020/21 financial year. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.

## Part 2 – Supporting Documentation

### 2.1. Overview of the approved budget process

Section 53 of the MFMA requires the 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 Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 29 July 2019. Key dates applicable to the process were:

#### August 2019

- Review of previous year's budget and IDP process and completion of budget evaluation checklist.
- Develop a timetable of key budget and IDP deadlines for the 2020/2021 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

**October 2019**

- Review past performance (financial & non-financial): Analysis of current reality including basic facts and figures.
- Review long term plans, setting out long term performance plans in terms of outcomes, service level requirements, demographics, backlogs etc.

**➤ November 2019**

- Initial tariff and revenue modelling.
- Integrate macro-economic indicators using Medium Term Budget Policy Statement (MTBPS) from NT.
- Projects prioritization with the communities: Input and feedback flow.

**January 2020**

- Draft HR plan including personnel budgets.
- Draft IDP amendments.
- Draft operating and capital plans per function or department, detailing service levels, initiatives, financial forecasts and non-financial indicators
- Detailed line item budget in line with operating and capital plans per function or department.
- Prepare and submit to NT, PT and DLG&H the annual reports for 2018/19 and all prior years.
- Assess municipal performance for the first 6 months of 2019/20 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2019/20 adjustment budget.

**March 2020**

- Table Draft Budget Document: Information from operational plans and line item budgets are combined to form the draft annual budget document
- Update and develop sector/ integrated plans/ programmes.

**April 2020**

- Public consultations and budget debates (commencement): Make budget available to and considers views of the public, NT, PT and other stakeholders.

**May 2020**

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2020/21.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The Approved Budget for 2020/21 MTREF budget and IDP was tabled before council on 29 June 2020.

There was deviations from the key dates set out in the Budget Time Schedule tabled in Council from March 2020 exercises due to Covid 19 pandemic.

### 2.1.2. IDP and Service Delivery and Budget Implementation Plan

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

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

The IDP has been taken into a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2019/20 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.

With the compilation of the 2020/21 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2019/20 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### 2.1.3. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2020/21 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, household debt, migration patterns)
- Performance trends
- The approved 2018/19 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment level
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 98 and 99 has been taken into consideration in the planning and prioritisation process.

## 2.2. 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 utilise 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 municipalities correlate 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 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 Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and

- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2020/21 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal Approved IDP for 2020/2021 financial year is attached as **ANNEXURE W**.

### 2.3. Overview of budget related-policies

The Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

#### **Budget Related Policy Attached with the budget document**

- **Tariff Structure-ANNEXURE A**
- **Tariff Policy-ANNEXURE B**
- **Indigent Policy - ANNEXURE C**
- **Property Rates Policy - ANNEXURE D**
- **Credit control and Debt Collection Policy – ANNEXURE E**
- **Virement policy – ANNEXURE F**
- **Supply Chain Management Policy-ANNEXURE G**
- **Subsistence & Travel Policy - ANNEXURE H**
- **Cash and investment Management Policy - ANNEXURE I**
- **Car Allowance Policy - ANNEXURE J**
- **Remuneration Policy - ANNEXURE K**
- **Fleet Management Policy - ANNEXURE L**
- **Asset Management Policy – ANNEXURE M**
- **Budget Policy – ANNEXURE N**
- **Property rate by law – ANNEXURE O**
- **Credit control by law – ANNEXURE P**
- **Inventory Policy - ANNEXURE Q**
- **Unallocated Deposit Policy – ANNEXURE R**
- **Property Rental Policy – ANNEXURE S**
- **Service standards – ANNEXURE T**
- **Organisational Structure – ANNEXURE U**
- **Procurement Plan – ANNEXURE V**

These policies are attached in the Budget document as annexures

## 2.4. Overview of budget assumptions

Industry-related rates are used as a baseline for raising estimates for all goods and services to be procured.

The budget takes into consideration national headline inflation estimates and trends that emerged while implementing the SDBIP in the outgoing financial year.

## 2.5. Overview of budget funding

The projected year-end balance for cash and cash equivalents for 30 June 2019 has been taken into account. The anticipated increase in revenue from municipal tariffs and improving collection rate, estimated at 60 per cent for the first budget year, justifies the anticipated increase in own revenue. Additional revenue is anticipated from property rates because of the new valuation roll that was done in the current financial year and identifies new properties in the municipal areas.

Only gazetted grants and transfers from national government, totalling R447.2M, were factored into the funding envelope. This is to ensure that the budget is based on realistically anticipated revenue.

## 2.6. Expenditure on allocations and grant programmes

Specific purpose transfers received by the municipality are allocated to capital projects implemented by the municipality in accordance with grant conditions. The other grants, including LGES, are allocated to operational programmes, such as the provision of free basic services, and operating costs.

## **2.7. Allocations of grants made by the municipality**

The municipality makes no transfers in the form of grants to other institutions.

The municipality only support small business through a programme called LED support.

## **2.8. Councillors and board member allowances and employee benefits**

Employees costs of officials are budgeted for at a global increase of 6, 5 per cent as confirmed increment rates are not yet available. This is based on a weighting of headline inflation estimates and indications from negotiations going on at the bargaining chamber. The actual increment is 6, 5 per cent but on SA22 it's shows 19, 8 per cent due to budgeted vacant positions.

## **2.9. Monthly targets for revenue, expenditure and cash flow**

The MBRR SA25 to SA30 is attached.

## **2.10. Contracts having future budgetary implications**

In terms of the Municipality Supply Chain Management Policy, one contract was awarded beyond the medium-term revenue and expenditure framework (three years) during 2018/19 for a period of 5 years. In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.11. Capital expenditure details

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

**Table 8 2020/21 Medium-term capital budget per vote**

<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>	3,149	21,405	7,715	30,400	26,888	26,888	26,888	18,450	7,650	9,300	
Executive and council	-	-	-	-	-	-	-	-	-	-	
Finance and administration	3,149	21,405	7,715	30,400	26,888	26,888	26,888	18,250	7,650	9,300	
Internal audit	-	-	-	-	-	-	-	200	-	-	
<b>Community and public safety</b>	<b>2,021</b>	<b>36,895</b>	<b>7,439</b>	<b>25,401</b>	<b>17,146</b>	<b>17,146</b>	<b>17,146</b>	<b>30,500</b>	<b>33,000</b>	<b>36,000</b>	
Community and social services	-	-	-	100	100	100	100	6,000	14,000	23,000	
Sport and recreation	2,021	36,895	7,439	25,251	17,046	17,046	17,046	10,000	19,000	13,000	
Public safety	-	-	-	50	-	-	-	2,000	-	-	
Housing	-	-	-	-	-	-	-	12,500	-	-	
Health	-	-	-	-	-	-	-	-	-	-	
<b>Economic and environmental services</b>	<b>25,354</b>	<b>77,099</b>	<b>63,933</b>	<b>39,769</b>	<b>57,093</b>	<b>57,093</b>	<b>57,093</b>	<b>55,083</b>	<b>51,280</b>	<b>46,297</b>	
Planning and development	-	-	-	1,167	100	100	100	1,670	1,170	1,170	
Road transport	25,354	77,099	63,933	38,603	56,993	56,993	56,993	53,413	50,110	45,127	
Environmental protection	-	-	-	-	-	-	-	-	-	-	
<b>Trading services</b>	<b>-</b>	<b>265</b>	<b>116</b>	<b>14,300</b>	<b>5,900</b>	<b>5,900</b>	<b>5,900</b>	<b>34,605</b>	<b>600</b>	<b>1,100</b>	
Energy sources	-	265	116	1,700	300	300	300	4,300	500	1,000	
Water management	-	-	-	-	-	-	-	-	-	-	
Waste water management	-	-	-	-	-	-	-	-	-	-	
Waste management	-	-	-	12,600	5,600	5,600	5,600	30,305	100	100	
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>30,524</b>	<b>135,664</b>	<b>79,203</b>	<b>109,870</b>	<b>107,027</b>	<b>107,027</b>	<b>107,027</b>	<b>138,638</b>	<b>92,530</b>	<b>92,697</b>

Transport and roads receives the highest allocation of R53, 4 million in 2020/21 which equates to 38.53 per cent of the total capital budget. Finance and admin is at 13.16 per cent, R18, 2 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). 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.

## 2.12. Legislation compliance status

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

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department, one is appointed to Internal Audit and one is also appointed to Risk from 1 March 2020.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

The Municipality has established its own Audit Committee.

5. Service Delivery and Budget Implementation Plan

The detail SDBIP document is at a final draft stage and will be finalised and approved by the mayor.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

## 2.13.OTHER SUPPORTING DOCUMENTATION

Supporting details to budget are contained in supporting tables SA1 to SA38.

The tariffs structure for 2020/2021 financial year is attached (**Annexure A**).

**2.14. Approved budgets of municipal entities attached to the Approved budget**

Greater Giyani municipality does not have an entity.

**2.15. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**



**To:** Provincial Treasury, Limpopo

National Treasury, South Africa

**QUALITY CERTIFICATE ON THE APPROVED MTREF BUDGET**

I, **MKHACANI MAXWELL CHAUKE**, Municipal Manager of **GREATER GIYANI MUNICIPALITY**, hereby certify that the Approved Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and the regulations made under the Act, and the Approved Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

---

**MM Chauke**

Municipal Manager:

**Greater Giyani Municipality**

LIM 331

---

**Date**

