



APPROVED BUDGET OF

GREATER GIYANI MUNICIPALITY

**2021/22 TO 2023/24
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**

Approved by council on 28 May 2021

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Part 1 – Approved Budget

1.1 Mayor's Report

Honourable Speaker, while showering the municipality with praises for the good work – allow me to express the joy at the recognition we have received for the prudent use of the monies we get from the various sectors of government. 12 million rand is in the municipal coffers from Municipal Infrastructural Grant.

This is indeed a bonus we have received for monies well spent. For this we need a pet on the shoulder.

If I may give some more highlights in the municipality, I wish to inform your august house that we are on the right track to fine-tune the service delivery drive. And this starts with human capital.

I wish to state that we have no more reason to regress to the negative audit outcomes. This, as we have managed to fill all the critical positions. I am referring to the positions of CFO, Technical Director, as well Director of Planning and LED. These leading positions added to the 78 various positions we have filled in this ending financial year.

It is the municipality's intention to fill up 46 more positions to enhance the current human capital's drive to quality service delivery. Also, with the careful use of the workplace skills development plan we have in place – more staffers will be trained.

On the tools of trade, we have managed to secure 4 double cabs, one SUV and two TLB's. To crown our good revenue collection at the local testing station, the national Transport department has afforded us a mobile vehicle testing station. To add to the vehicles, the municipality will purchase a tow truck. This will add to the traffic laws' enforcement.

Despite the covid-19 pandemic which has threatened to shut down all municipal activities, we have been able to make sure that we comply with all the precepts, required by government for a municipality to function properly. As I speak, we accomplished all IDP processes 100%. We have been able to consult our communities with reasonable ease. All this thanks to the modern technology which our IT department quickly adapted to.

Just to highlight but a few milestones, honourable Speaker, we have managed to complete the following projects:

- Paving 8.16 kilometres of the streets in Section F.

- The Nkomo road.
- 4.5 Kilometres of the road at Homu 14A have been completed.

The R12 million MIG bonus we have received, will help us add another project to the 4 we will be undertaking in the coming financial year. They are the paving of streets in Blinkwater, Nkuri, Shimange and Thomo. Because of the grant, we will be able to add the construction of the Ndhambi Taxi Rank.

We have set aside funds which will allow us to complete the construction of the civic centre as well as refurbish the old centre building to be in sync with the new building.

More 9 electrification projects will be undertaken in the coming financial year. Of course, these projects are going to be done on extensions. For this we would like to thank the national government for illuminating our darkest nights.

Allow me honourable Speaker to express my hope that through the efforts of the Water and Sanitation department, the water project which has been abandoned by Khatu Civils, will resume in this coming financial year. I would not like to sound like someone who is only heaping praises. We have the darkest side of the coin, Revenue collection. The greatest challenge we have is on household who continue to resist paying for rates and taxes.

Although slightly improving, government departments continue to add to the revenue collection woes. Through you honourable Speaker, let us join hands and support the debt collection drive the municipality is about to initiate.

TARIFF INCREASES

The following table reflects the multi-year tariff assumptions for the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF):

Revenue category	2021/2022 proposed tariff increase	2022/2023 proposed tariff increase	2023/2024 proposed tariff increase
	%	%	%
Property Rates	3.9%	4.2%	4.4%
Refuse Removal / Solid Waste Sales	3.9%	4.2%	4.4%

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 3.9%, this increase is in terms of the Municipal Budget Circular No. 108 for the 2021/22 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 2021/22 financial year. Refuse removal will go up by 3.9%.

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.

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 **2021/22** amount to **R615 679 148 (Including the funds provided at National level)**

Here under are the projects for 2021/22:

Waste Disposal Site Development	500,000.00
Civic Centre Building Phase 3 and 4	7,064,923.88
Ndhambi Taxi Rank	13,456,642.00
Upgrading of Nkhensani Access	50,000.00
Mavalani Indoor Sports Centre	2,000,000.00
Jim-Nghalalume Community Hall	2,000,000.00
N'wadekudzeku Community Hall	2,000,000.00
Mageva Sports Centre	1,000,000.00
Refurbishment of Sporting Facilities (Gawula)	50,000.00
Refurbishment of Shivulani Sports Centre	1,500,000.00
Upgrading of Parking Lot	2,000,000.00
Section E Sports Centre	50,000.00

Homu14B Sports centre	4,600,000.00
Golf Course Development	1,000,000.00
Automated PMS System	1,170,000.00
Refurbishment of Giyani Stadium & Section A Tennis Court	50,000.00
Giyani Section E Upgrading from Gravel to TARR	8,000,000.00
Blinkwater upgrading of internal streets	8,100,000.00
Thomo upgrading of internal streets	12,212,641.10
Nkuri Zamani upgrading of internal streets	8,100,000.00
Alternative Road to Giyani from R81	500,000.00
Shimange Upgrading from gravel to paving	20,100,000.00
Servicing of 539 sites	500,000.00
Purchase of Generator	1,500,000.00
Cost Model:Computer Equipment	800,000.00
Leased Assets:Computer Equipment(Tablets and printers	2,200,000.00
Help Desk Software	300,000.00
Development of Bylaws	100,000.00
Purchase of Furniture and Office Equipment	1,000,000.00
Purchase of Machinery and Equipment	6,000,000.00
Purchase of Motor Vehicles	3,000,000.00
Purchase of Camera & Monitor	500,000.00
Purchase of Walk Through metal detector	268,099.00
Purchase of Skip and Street Bins	200,000.00
Fire Arms	500,000.00

Law Enforcement	250,000.00
Purchase of Air Conditioners	500,000.00
Alternative route from Elim Road R578 to Giyani via Siyandhani	550,000.00
TOTALS	113,672,305.98

1.2. Council Resolutions

On 28 May 2021 the Council of Greater Giyani Local Municipality have a virtual meeting to consider the approved budget of the municipality for the financial year 2021/22. 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 2021/22 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 2021:
 - 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

28/05/2021

CLLR M P HLUNGWANI

DATE

MAYOR

28/05/2021

CLLR B A SHIVAMBU

DATE

COUNCILLOR FOR FINANCE

28/05/2021

CLLR K A MANGANYI

DATE

1.3. Executive Summary

National Treasury's MFMA Circular No. 107 and 108 were used to guide the compilation of the 2021/22 MTREF.

The main challenges experienced during the compilation of the 2021/22 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 2021/22 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2021/22 MTREF:

- The 2020/21 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 2021/22 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 2021/22 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2021/22 MTREF

R thousand	Adjustment Budget 2020/21	Budget Year 2021/22	Budget Year+1 2022/23	Budget Year+2 2023/24
Total Operating Revenue	593,163	615,679	582,176	584,730
Total Operating Expenditure	465,826	502,007	475,126	487,261
<i>(Surplus)/Deficit for the year</i>	127,337	113,672	107,050	97,469
Total Capital Expenditure	127,337	113,672	107,050	97,469

Total operating revenue has gone up by 3.796 per cent or R22,5 million for the 2021/22 financial year when compared to the 2020/21 Adjustments Budget. For the two outer years, operational revenue will decrease by 5.442 per cent in 2022/2023 and then increase by 0.439 per cent in 2023/2024.

Total operating expenditure for the 2021/22 financial year has been appropriated at R502million and translates into a budgeted surplus of R113, 6 million. When compared to the 2020/21 Adjustments Budget, operational expenditure has grown by 7,767 per cent in the 2021/22 budget and decrease by 5.355 and then increase by 2.554 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decreases to R107million and then stabilise at R97,4 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R113,6 million for 2021/22 is 10.731 per cent less when compared to the 2020/21 Adjustment Budget. The capital programme decreases to R107 million in the 2022/23 financial year and then decrease in 2023/24 to R97,4 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 2021/2022 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1										
Revenue By Source											
Property rates	2	35,685	40,544	60,334	77,548	70,819	70,819	70,819	76,383	79,724	83,301
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	4,398	4,765	6,500	5,921	6,573	6,573	6,573	10,121	10,566	11,068
Rental of facilities and equipment		839	959	1,010	860	664	664	664	790	825	863
Interest earned - external investments		11,566	5,053	5,916	8,558	6,900	6,900	6,900	7,100	8,300	8,300
Interest earned - outstanding debtors		11,757	15,096	19,694	20,663	20,663	20,663	20,663	21,511	22,457	23,468
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		6,256	13,683	6,896	2,108	1,610	1,610	1,610	2,250	2,470	2,572
Licences and permits		5,161	5,716	4,717	14,218	6,664	6,664	6,664	16,730	17,958	18,289
Agency services		-	-	-	-	-	-	-	20,248	2,000	2,100
Transfers and subsidies		255,854	275,908	308,176	387,001	387,001	387,001	387,001	344,669	357,533	350,863
Other revenue	2	2,374	2,164	2,990	22,593	31,982	31,982	31,982	51,772	11,081	11,570
Gains		(10,873)	(4,720)	(5,105)	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		323,017	359,169	411,127	539,471	532,877	532,877	532,877	551,574	512,915	512,392

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 2020/21 financial year, revenue from rates and services charges totalled R77,3 million. This increases at R86,5 million, R90,2 million and R94,3 million in the respective financial years of the MTREF.

Operating grants and transfers totals R344,6 million in the 2021/22 financial year and steadily increases to R350,8 million by 2023/24.

Table 3 Operating Transfers and Grant Receipts

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		261,320	275,874	303,024	387,001	387,001	387,001	344,669	357,533	350,863
Local Government Equitable Share		234,578	253,351	287,217	369,568	369,568	369,568	320,318	336,803	329,103
Finance Management		2,145	2,145	2,145	2,000	2,000	2,000	2,200	2,400	2,400
EPWP Incentive		4,364	3,519	3,362	3,409	3,409	3,409	3,851	-	-
Integrated National Electrification Programme		20,000	16,666	10,000	11,724	11,724	11,724	18,000	18,000	19,000
-		-	-	-	-	-	-	-	-	-
LG SETA		233	193	300	300	300	300	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 3.9 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 2021/22 financial year

Category	Current Tariff (1 July 2020)	Proposed tariff (from 1 July 2021)
	c	C
Residential properties	0,00729	0,00758
State owned properties	0,04813	0,04813
Industrial properties	0.01444	0.01501
Business & Commercial	0,02917	0,03031
Farms	0.00185	0.00193

The following table compares current and proposed amounts payable from 1 July 2021:

Table 5 Comparison between current waste removal fees and increases

Description	Current tariffs 2020/21	Proposed tariffs 2021/22
Refuse Removal daily collection	R3,072	R3,192
Refuse removal Businesses	R2,074 per month	R2,155 per month
Refuse removal government	R2,074 per month	R2,155 per month
Refuse removal Business Medium	R1,037 per month	R1,077 per month
Refuse removal Business Small	R438 per month	R455 per month
Refuse removal residential	R39 per month	R40 per month
Refuse removal indigent	Free	Free

1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2021/22 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 2021/22 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	124,130	126,748	134,066	173,678	155,207	155,207	155,207	182,634	182,727	191,790
Remuneration of councillors		22,144	22,755	23,566	25,023	23,668	23,668	23,668	29,979	31,538	33,241
Debt impairment	3	42,695	28,151	36,001	34,300	34,300	34,300	34,300	32,000	32,000	33,000
Depreciation & asset impairment	2	85,338	85,169	89,130	68,000	68,000	68,000	68,000	74,800	74,800	75,000
Finance charges		111	1,474	1,393	-	-	-	-	-	-	-
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	(158,686)	4,253	11,974	6,840	10,750	10,750	10,750	9,300	7,110	8,690
Contracted services		34,259	69,194	57,732	92,009	119,607	119,607	119,607	111,316	90,620	87,553
Transfers and subsidies		-	5,222	600	960	960	960	960	1,000	1,000	1,100
Other expenditure	4, 5	209,822	50,547	35,394	57,309	53,335	53,335	53,335	60,978	55,331	56,887
Losses		161,739	(311)	(3,284)	-	-	-	-	-	-	-
Total Expenditure		521,552	393,202	386,571	458,119	465,826	465,826	465,826	502,007	475,126	487,261

The budgeted allocation for employee related costs for the 2021/22 financial year totals R182,6 million, which equals 36.38 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 4,9 per cent for the 2021/22 financial year. An annual increase of 5, 2 and 5,4 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 2021/22 financial year this amount to R32 million and increase to R33 million by 2023/24. 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 R74,8 million for the 2021/22 financial and equates to 14.9 per cent of the total operating expenditure.

Inventory consumed comprise of amongst others the materials for maintenance of roads, electricity, and municipal buildings. For 2021/22 the appropriation against this group of expenditure has went down by 13,49 per cent (R1,4 million) and decrease by 23,55 per cent in 2022/2023 and then increase by 22.22 per cent for 2023/2024.

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 2021/22 this expenditure increases by 14,33 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 2021/22 budget and MTREF provide for extensive growth in 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											
Inventory Consumed (Project Maintenance)											
Contracted Services		6,308	7,840	5,653	39,380	53,105	53,105	53,105	38,600	28,670	23,343
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	6,308	7,840	5,653	39,380	53,105	53,105	53,105	38,600	28,670	23,343

During the compilation of the 2021/22 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 2021/22 equates to R38.6 million a decrease of 27,31 per cent in relation to the Adjustment Budget and continues to go down by 18.58% in 2023/24. In relation to the total operating expenditure, repairs and maintenance comprises of 7,69 ; 6,03 and 4,79 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 500 or more indigent households during the 2021/22 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 2021/22 Medium-term capital budget per vote

Capital Expenditure - Functional											
Governance and administration		21,405	7,715	15,502	18,450	15,882	15,882	15,882	14,168	8,190	9,011
Executive and council		–	–	–	–	–	–	–	–	–	–
Finance and administration		21,405	7,715	15,502	18,250	15,882	15,882	15,882	14,168	8,190	9,011
Internal audit		–	–	–	200	–	–	–	–	–	–
Community and public safety		36,895	7,439	23,185	30,500	19,650	19,650	19,650	23,315	74,098	500
Community and social services		–	–	–	6,000	3,400	3,400	3,400	5,000	39,800	500
Sport and recreation		36,895	7,439	23,185	10,000	7,750	7,750	7,750	9,250	21,458	–
Public safety		–	–	–	2,000	2,500	2,500	2,500	2,000	–	–
Housing		–	–	–	12,500	6,000	6,000	6,000	7,065	12,840	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		77,099	63,933	78,672	55,083	53,775	53,775	53,775	73,489	24,163	86,758
Planning and development		–	–	–	1,670	900	900	900	1,670	–	–
Road transport		77,099	63,933	78,672	53,413	52,875	52,875	52,875	71,819	24,163	86,758
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		265	116	(4,198)	34,605	38,030	38,030	38,030	2,700	600	1,200
Energy sources		265	116	(4,198)	4,300	4,300	4,300	4,300	2,000	600	1,100
Water management		–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	30,305	33,730	33,730	33,730	700	–	100
Other		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3	135,664	79,203	113,162	138,638	127,337	127,337	127,337	113,672	107,050	97,469

Transport and roads receive the highest allocation of R71,8 million in 2021/22 which equates to 63,18 per cent of the total capital budget. Finance and admin is at 12.46 per cent, R14, 1 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 2021/22 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 2021/22, 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 R615,6 million in 2021/22 and decrease to R584,7 million by 2023/24. This represents a year-on-year increase of 3.796 per cent for the 2021/22 financial year and 0.439 per cent for the 2023/24 financial year.
2. Revenue to be generated from property rates is R76.3 million in the 2021/22 financial year and increases to R83.3 million by 2023/24 which represents 13,85 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 4,37 per cent and 4,49 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 R10.1 million for the 2021/22 financial year and increasing to R11 million by 2023/24. For the 2021/22 financial year services charges amount to 1,835 per cent of the total revenue base and grows by 4,396 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 decreasing rapidly over the MTREF by 10,938 per cent for 2021/22 financial year, increase by 3.732 per cent in 2022/23 and then decrease by 1.866 per cent in 2023/24.

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 2021/22 to 2023/24 has not been allocated.
3. Single-year capital expenditure has been appropriated at R113, 6 million for the 2021/22 financial year and remains relatively constant over the MTREF at levels of R107 million and R97,4 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 2021/22, capital transfers totals R60.5 million and increase to R68.4 million by 2023/24.

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 2020/21 MTREF provide for a net increase in cash of R71 million for the 2020/21 financial year resulting in an overall projected position cash position of R162,6 million at year end.
4. As part of the 2020/21 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 2021/22 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents total R198million as at the end of the 2021/22 financial year and increase to R252,7 million by 2023/24.

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 2021/22 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 2021/22 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 2020) 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 2020. Key dates applicable to the process were:

August 2020

- 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 2021/2022 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

October 2020

- 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 2020

- 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 2021

- 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 2019/20 and all prior years.
- Assess municipal performance for the first 6 months of 2020/21 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2020/21 adjustment budget.

March 2021

- 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 2021

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

May 2021

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2021/22.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The draft 2021/22 MTREF budget and IDP was tabled before council on 31 March 2021.

There were no deviations from the date for approving the Final Budget which was approved in 28 May 2021.

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 2020/21 MTREF, based on the approved 2020/21 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 2021/22 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 2020/21 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 2021/22 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 2021/22 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 2021/22 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal Approved IDP for 2021/2022 financial year is attached as **ANNEXURE V**.

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**
- Inventory Policy - **ANNEXURE O**
- Revenue Enhancement Strategy – **ANNEXURE P**
- Unallocated Deposit Policy – **ANNEXURE Q**
- Property Rental Policy – **ANNEXURE R**
- Service standards – **ANNEXURE S**
- Organisational Structure – **ANNEXURE T**
- Procurement Plan – **ANNEXURE U**

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 2020 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 R408.7M, 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 4, 9 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 4, 9 per cent but on SA22 it's shows 18, 9 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, no contracts are awarded beyond the medium-term revenue and expenditure framework (three 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 2021/22 Medium-term capital budget per vote

Capital Expenditure - Functional											
Governance and administration		21,405	7,715	15,502	18,450	15,882	15,882	15,882	14,168	8,190	9,011
Executive and council		—	—	—	—	—	—	—	—	—	—
Finance and administration		21,405	7,715	15,502	18,250	15,882	15,882	15,882	14,168	8,190	9,011
Internal audit		—	—	—	200	—	—	—	—	—	—
Community and public safety		36,895	7,439	23,185	30,500	19,650	19,650	19,650	23,315	74,098	500
Community and social services		—	—	—	6,000	3,400	3,400	3,400	5,000	39,800	500
Sport and recreation		36,895	7,439	23,185	10,000	7,750	7,750	7,750	9,250	21,458	—
Public safety		—	—	—	2,000	2,500	2,500	2,500	2,000	—	—
Housing		—	—	—	12,500	6,000	6,000	6,000	7,065	12,840	—
Health		—	—	—	—	—	—	—	—	—	—
Economic and environmental services		77,099	63,933	78,672	55,083	53,775	53,775	53,775	73,489	24,163	86,758
Planning and development		—	—	—	1,670	900	900	900	1,670	—	—
Road transport		77,099	63,933	78,672	53,413	52,875	52,875	52,875	71,819	24,163	86,758
Environmental protection		—	—	—	—	—	—	—	—	—	—
Trading services		265	116	(4,198)	34,605	38,030	38,030	38,030	2,700	600	1,200
Energy sources		265	116	(4,198)	4,300	4,300	4,300	4,300	2,000	600	1,100
Water management		—	—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—	—
Waste management		—	—	—	30,305	33,730	33,730	33,730	700	—	100
Other		—	—	—	—	—	—	—	—	—	—
Total Capital Expenditure - Functional	3	135,664	79,203	113,162	138,638	127,337	127,337	127,337	113,672	107,050	97,469

Transport and roads receive the highest allocation of R71,8 million in 2021/22 which equates to 63.18 per cent of the total capital budget. Finance and admin is at 12.46 per cent, R14,1 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 2021/2022 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

