



**APPROVED BUDGET OF**

# **GREATER GIYANI MUNICIPALITY**

**2022/23 TO 2024/25  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS**

**Approved by council on 27 May 2022**

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## Part 1 – Approved Budget

### 1.1 Mayor's Report

As we celebrate this Africa month we must remind ourselves that when Africa's generation of liberators discovered the genuine truth that we are our own liberators, they defined a dream that must pervade every area of Africa in future. That our Africa must not remain the disabled beggar of the nations, and we must all proudly say that:-

❖ We are our own developers; we own our land and resources thereof and the dream you hear is ours-we own it.

❖ We should remind each other that we are our own defenders, and we have the future of Africa in our hands.

❖ Therefore, we must rise as Africans and proudly say to the world that we are Africans.

I am standing here today as your servant deployed to lead this community and which is a call that I am honouring. We have approved our IDP and Budget under challenging economic downswing at national level and indeed at local level. The National State of Address by his Excellency President Ramaphosa and the National Budget Speech by the Minister of Finance Honourable Enock Godongwane gives a clear direction in relation to the cost containment measures which Government institutions including ourselves we should adhere to. We find ourselves at a crossroads. We are therefore called upon to elect a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment even at a local level. The path we are to elect shall sought to stabilize our financial state as a municipality and reduce debts and expenditures that are not linked to service delivery.

At a national level which is the basis at which we have tabled our local budget, we are experiencing a technical recession – with its tenants of a decline in the Gross Domestic Product (GDP) – driven primarily by contractions in agriculture, mining, and the rise in fuel prices as a result of the global uncertainty resulting from the Russia-Ukraine war. However, these events have led to a sharp depreciation of the Rand and caused an upward swing in the inflation rate.

The budget tabled here today is influenced by the current challenges faced by the our communities and the opportunities we foresee in order to build the better tomorrow. The high unemployment rate within our communities, lack of sustainable services the growing allocation of residential site in almost all our villages which needs roads infrastructure, water, and electricity. All of those puts a serious financial obligation to the municipality. I should remind Honourable councillors sitting here today, that we have all went all out to our communities during the local government elections campaigning wearing different political caps and our people have given us a clear instruction that go to Council and champion our interests for service delivery, we have long yearned for. Our people said they need water, electricity, houses, proper roads, safe and healthy environment to leave in. This instruction should be consistent in our minds in all the decisions and actions we take.

We are meeting here as a new Municipal Council Elected in November 2021 to consider our first IDP/Budget and budget related policies for this council. Some amongst us are in Council for the first time, but some are serving their unbroken second term as members of the Greater Giyani Municipal Council. Again there are others who have served more than two terms. May I ask those councillors who have served more than two terms to rise ..... [while they are standing]

These councillors must be recognized and be called by their right titles in Council, which are Alderman and Alderwoman. They have been repeatedly elected by their communities to represent them in Council. Their titles should henceforth change to Alderman and Alderwoman so we should no longer call them by the title "Cllrs" [you may be seated]

We are meeting this morning as a Council to present the 2022/2023 draft budget as compelled by legislation. Section 16(2) of the Municipal Finance Management Act (MFMA) which directs the Mayor to table the draft annual budget at a Council meeting at least 90 days before the start of the budget year. We have just tabled the IDP and budget which had been subjected to a rigorous consultation with our communities and various stakeholders. We engaged on this important pillar of our democracy precisely knowing that public participation should inform all processes associated with local government.

We have just approved our IDP and Budget under a very stringent economic challenges, the high inflation rate, increase in the repo rates and the upward increment of fuel which impact negatively on the local economic growth and the subsistence of our people. We should as a municipality draw strength from the words of former President Thabo Mbeki when he said "Trying times need courage and resilience. Our strength as a people is not tested during the best of times". We therefore make a clarion call that we should work together with our communities and the business community, despite these economic down turns we should instill the culture of payment of services so that the municipality continue to render sustainable services to the communities.

## **THE ROAD TRAVERSED FROM PREVIOUS COUNCIL TO DATE**

We are proud to report to this honourable house and to the entire community of Greater Giyani that the previous Council under the leadership of the former Mayor Cllr. Mathebula Sasavona and Former Mayor Cllr. Shibambu Basani had laid a basis at which we are continuing to build on. There are several key projects which the previous Council had achieved: -

### **PROJECT NAME QUANTITY START DATE FINISH DATE**

#### **FINANCIAL YEAR COMPLETED**

1. Blinkwater Upgrading from Gravel To Paving

1.013 Km 18 May 2021 18 Oct 2021, 2020/21

2. Nkuri Upgrading from Gravel To Paving

0.9 Km 14 May 2021 14 Sept 2021, 2020/21

3. Thomo Upgrading from Gravel to Paving

3.5km 21 May 2021 22 May 2022, 2020/21

4. Homu 14B To 14A Upgrading from Gravel to Tar

4.3km 14 Feb 2018 31 Jan 2020, 2020/21

5. Giyani Section F Upgrading from Gravel to Paving

8.67km 01 Apr 2019 01 Apr 2020, 2020/21

6. Makosha Upgrading from Gravel to Paving

5.6 Km 12 Feb 2017 09 Oct 2020, 2020/21

7. Nkomo A Upgrading from Gravel to Tar

2.5 KM 10 Feb 2020 21 Feb 2021, 2020/21

8. Construction of Giyani Civic Centre Phase 3

1 10 Jan 2019 21 Oct 2020, 2020/21

9. Mageva Sports Centre 1 01 Apr 2019 30 June 2020, 2020/21, 10. Giyani Section E Upgrading from Gravel to Tar Phase 2 1.477km 01 Apr 2019 01 Apr 2020, 2020/21, 11. Bode Paving Internal Streets 2.4km 26 Aug 2017 26 Mar 2018, 2018/19, 12. Refurbishment of Shivolani Sports Centre 1 5 Sep 2017 22 Feb 2018, 2018/19, 13. Giyani Section F Paving of Streets 10km 29 Mar 2017 29 Mar 2018, 2018/19.

14. Civic Centre Phase 2 1 28 Sep 2018 12 Dec 2016, 2017/18

15. Construction of Thomo Community Hall

1 12 Feb 2016 31 Apr 2017, 2017/18

16. Refurbishment of Sporting Facilities (Gawula)

1 5 Sep 2017 22 Feb 2018, 2017/18

17. Development of Giyani Section E Sport Centre

1 15 Apr 2015 15 Oct 2016, 2015/16

**ELECTRIFICATION**

We should also report that we managed from the previous term to date electrified many of our village's extensions: \_-

**PROJECT NAME QUANTITY FINANCIAL YEAR**

18. Installation of High Mast Lights in Greater Giyani CBD.

3 units 2020/21

19. Electrification of Mapuve 400 units 2020/21

20. Electrification of Jim-nghalalume 335 units 2020/21

21. Electrification of Noblehoek 230 units 2020/21

22. Electrification of Mashavele 140 units 2020/21 23. Electrification of Nkuri-zamani 200 units 2020/21 24. Electrification of Shimange 170 units 2019/20 25. Electrification of Khaxani 300 units 2019/20

26. Electrification of Mushiyani 220 units 2019/20

27. Electrification of Xitlakati 170 units 2019/20 28. To erect 30 high mast lights in crime prone areas 30 units 2019/20 29. Electrification of Nkomo B&C 360 units 2019/20.

30. Electrification of Mhlava-Willem, Sekhiming, Mbatlo & Shivulani Villages

369 units 2019/20

31. Electrification of Mushiyani, Kheyi, Xitlakati, Mzilela & Khaxani villages

360 units 2019/20

32. Electrification of Mninginisi Block 3 Village (Contractor)

350 units 2018/19

33. Electrification of Shikhumba, Nkomo C, Nkomo B, Dzingidzingi & Maswanganyi Villages

350 units 2018/19

34. Electrification of Mphagani and Nsavulani Village

260 units 2018/19

35. Electrification of N'wamankena 36. & Dingamazi Village 133 units 2017/18 37. Electrification of Gandlanani Village 257 units 2017/18 38. Electrification of Vuhehli, Ndindani,

Gawula, Nwakhuwani, Mahlathi, Ntshuxi Villages 225 units 2017/18 39. Electrification of Hlomela, Siyandhani, Babangu & Ntshuxi Villages 200 units 2017/18 40. Thirty High mast lights in crime prone areas (Energizing) 30 units 2017/18

We are glad to announce that the National Treasury awarded us a bonus of R9.2 million Rands through the INEG the amount we received in March 2022. This gives an impetus to the municipality to continue electrifying our communities.

## **WATER**

Most of our communities still does not have running water and those receiving water are not consistently receiving it. We are however optimistic that the revival of the Nandoni water project by Minister Senzo Mcunu who had so far proved to be hands-on in ensuring that people of Greater Giyani have water.

This week on Tuesday the Minister was once more here with us monitoring and assessing progress made so far. We are therefore hopeful that our people will soon receive water in their communities.

## **LAND FOR OUR PEOPLE**

We should report to this Council on the progress to date regarding the sale of 539 sites between Giyani Town D2 and Section F. The sale of sites is still in progress. The number of sites sold as of today is 360 which implies that 179 sites are unsold so far.

The Department of Cooperative Government, Human Settlement & Traditional Affairs in Limpopo has appointed a Contractor Lumah Engineering Consultants for the servicing of sites with Water and Sewer reticulation. The contractor has arrived on site and started work this month May 2022. We appreciate the support of the department in this regard. Applications for title deeds are under way.

The Municipality is also assisting various traditional authorities in demarcation of sites which our people access through the traditional authorities. We must reflect that the budget which had just been approved by this Council reflect in a nutshell the following: -

The municipality should intensify its campaign of ensuring that our communities and the business communities pay for the rates and taxes to ensure that the municipality generate its own revenue which is essential to fast-track service delivery to our communities.

The IDP/Budget approved here today with its policies and the tariff structure which generally reflect an increase of rates by 4.8% is pivotal to implement and we call upon our rate payers to realize that paying for rates and taxes is an invest which will see our communities developing and ensure sustainable services.

As we much forward to the new financial year, there will be numerous catalytic projects expected to start at the beginning of new financial year and we call upon the administration to begin developing plans to ensure that the projects are successfully implemented and for us as the political component to embrace ourselves to execute our oversight role.

We also call upon our entire municipal workforce to realize that we need each other in order to intensify service delivery to our people, we all have an obligation to our people to commit ourselves and to work towards the noble goal of ensuring that our people receive quality sustainable service delivery.

## CONCLUSION

As we conclude, we once more call upon all our councillors and Ward committees to continue to urge our people to get vaccinated to defeat the spread of COVID, to continue observing basic health measures and remain ever vigilant so that we can get on with our lives even with the virus in our midst.

We are committed to ensuring that mechanisms are put in place to implement and continuously evaluate our work. We have a clear roadmap for delivery – both in the immediate, short term, as well as the long term.

We wish to thank the Municipal Manager, the entire administration, and our workforce for the work you are doing to improve the lives of our people.

As former president Thabo Mbeki once said, “The future is formed and derives its first impulse in the womb of the present.”

Therefore, let us all roll up our sleeves today and work together to build the future – resilient, sustainable, and livable communities.

I have the honour to present to this May house the 2022/23 IDP/ budget.

Here under are the projects for 2022/23:

Project Descriptions	2022/23 Budgets
Civic Centre Building Phase 3 and 4	18,543,540.59
Upgrading of Nkhensani Access	4,000,000.00
Mavalani Indoor Sports Centre	21,457,650.00
Jim-Nghalalume Community Hall	28,243,481.81
N'wadekudzeku Community Hall	11,897,934.00
Refurbishment of Shivulani sports centre	500,000.00
Refurbishment of Sporting Facilities (Gawula)	2,500,000.00
Section E Sports Centre	1,000,000.00



Homu14B Sports centre	4,500,000.00
Mageva sports centre	1,000,000.00
Golf Course Development	600,000.00
Refurbishment of Giyani Stadium & Section A Tennis Court	1,000,000.00
Giyani Section E Upgrading from Gravel to Paving (Voningani)	20,141,714.00
Alternative Road to Giyani from R81	1,800,000.00
Servicing of 539 sites	1,500,000.00
Purchase of Generator	1,500,000.00
Cost Model: Computer Equipment	1,500,000.00
Leased Assets: Computer Equipment(Tablets and printers	500,000.00
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	7,500,000.00
Purchase of Motor Vehicles	2,500,000.00
Purchase of Camera & Monitor	500,000.00
Purchase of Walk-Through metal detector	300,000.00
Purchase of Skip and Street Bins	250,000.00
Fire Arms	300,000.00
Law Enforcement	300,000.00
Purchase of Air Conditioners	1,000,000.00
Siyandhani Ring Road	1,000,000.00
Makosha phase 2 upgrading from gravel to paving	1,000,000.00
Alternative route from Elim Road R578 to Giyani via Siyandhani	1,500,000.00

Selawa upgrading of roads from gravel to paving	3,937,908.00
Hlomela upgrading from Gravel to Paving	1,500,000.00
Shikhumba Upgrading from gravel to paving	1,000,000.00
Shawela Upgrading from gravel to paving	1,000,000.00
Section E upgrading of 13km from gravel to paving	500,000.00
Construction of car pots (Civic centre, Unigaz, Testing Station and brick yard)	500,000.00
<b>TOTALS</b>	<b>148,172,228.40</b>

With these allocations we aim to bring tangible changes to the lives of our people. The State President, through the State of the Nation Address, has explicitly given marching orders with regard to what government need to do for the betterment of our people. Our long standing objectives are reducing poverty, creating jobs and ensuring a better life for all.

I am mindful that poverty still afflicts and chains the majority of our rural population. I am mindful that serious service backlogs and lack of adequate infrastructure network are still issues to be addressed aggressively throughout our municipality.

It is now my honour to formally table the **Draft 2022/2023 IDP, and MTREF BUDGET and TARRIF STRUCTURE FOR 2022/23 FINANCIAL YEAR AND THE TWO OUTER YEARS 2023/24 and 2024/25** for Adoption by Council.

## 1.2 Council Resolutions

On 27 May 2022 the Council of Greater Giyani Local Municipality met at Giyani Community Hall to consider the approved budget of the municipality for the financial year 2022/23. 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 2022/23 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 18;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; 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 22.
  - 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 sheets:
    - 1.2.1. Budgeted Financial Position as contained in sheet A6-finpos.
    - 1.2.2. Budgeted Cash Flows as contained in sheet A7 – C flow;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in sheet A8 – Res recon.
    - 1.2.4. Asset management as contained in sheet A9 - Asset; and
    - 1.2.5. Basic service delivery measurement as contained in sheet A10 – Ser del .
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 2022:
  - 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

27/05/2022

\_\_\_\_\_  
CLLR A E MBOWENI

\_\_\_\_\_  
DATE

MAYOR

27/05/2022

\_\_\_\_\_  
CLLR T ZITHA

\_\_\_\_\_  
DATE

COUNCILLOR FOR FINANCE

27/05/2022

\_\_\_\_\_  
CLLR N H P NDABA

\_\_\_\_\_  
DATE

### 1.3 Executive Summary

National Treasury's MFMA Circular No. 112 and 115 were used to guide the compilation of the 2022/23 MTREF.

The main challenges experienced during the compilation of the 2022/23 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 2022/23 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2022/23 MTREF:

- The 2021/22 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 2022/23 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 proposed 2022/23 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2022/23 MTREF**

	Adjustment Budget	Budget Year	Budget Year + 1	BudgetYear + 2
	2021/22	2022/23	2023/24	2024/25
	R''000	R''000	R''000	R''000
Total Operating Revenue	526,702	530,902	555,716	585,505
Total Operating Expenditure	468,995	548,611	555,506	590,881
Surplus /Deficit for the Year	121,813	51,552	72,548	70,235
Total Capital Expenditure	141,665	148,172	158,190	128,509

Total operating revenue has gone up by 0.79 per cent or R4, 2 million for the 2022/23 financial year when compared to the 2021/22 Adjustments Budget. For the two outer years, operational revenue will increase by 4.67 and 5.36 per cent respectively.

Total operating expenditure for the 2022/23 financial year has been appropriated at R548,6 million and translates into a budgeted surplus of R51,5 million. When compared to the 2021/22 Adjustments Budget, operational expenditure has grown by 16,97 per cent in the 2022/23 budget and increase by 1.25 and 6.36 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R72, 5million and then decrease at R70,2 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R148.1 million for 2022/23 is 4.59 per cent more when compared to the 2021/22 Adjustment Budget. The capital programme increases to R158, 1 million in the 2023/24 financial year and then decreases to in 2024/25 to R128,5 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 60 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 2022/23 MTREF (classified by main revenue source):

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

LIM331 Greater Giyani - Table A4 Budgeted Financial Performance (revenue and expenditure)

LIMSOI Greater Grahm - Table A4 Budgeted Financial Performance (Revenue and expenditure)											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>Revenue By Source</b>											
Property rates	2	40,544	60,334	71,229	76,383	76,809	76,809	76,809	79,882	83,397	87,149
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	4,765	6,500	8,159	10,121	8,044	8,044	8,044	11,100	11,100	11,510
Rental of facilities and equipment		959	1,010	965	790	734	734	734	855	872	889
Interest earned - external investments		5,053	5,916	5,846	7,100	6,305	6,305	6,305	9,006	8,880	9,280
Interest earned - outstanding debtors		15,096	19,694	24,799	21,511	21,528	21,528	21,528	22,389	23,375	24,426
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		13,683	6,896	1,626	2,250	377	377	377	550	572	595
Licences and permits		5,716	4,717	5,762	16,730	8,430	8,430	8,430	7,900	8,234	8,581
Agency services		-	-	1,797	20,248	29,348	29,348	29,348	7,856	7,982	8,116
Transfers and subsidies		275,908	308,176	386,922	344,669	353,869	353,869	353,869	379,532	398,288	421,749
Other revenue	2	2,164	2,990	8,772	51,772	10,029	10,029	10,029	11,832	13,017	13,210
Gains		(4,720)	(5,105)	137	-	11,228	11,228	11,228	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>359,169</b>	<b>411,127</b>	<b>516,014</b>	<b>551,574</b>	<b>526,702</b>	<b>526,702</b>	<b>526,702</b>	<b>530,902</b>	<b>555,716</b>	<b>585,505</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 2022/23 financial year, revenue from rates and services charges totalled R90, 9 million. This stabilises at R94.4 million and R98.6 million in the respective financial years of the MTREF. For property rates the municipality have considered the actual collection for a month which is 49 million, in addition the municipality have appointed the debt collector to assist with collection and municipality anticipate improvement on collection. The municipality also have an approved revenue enhancement strategy which is in implementation.

Operating grants and transfers totals R379,5 million in the 2022/23 financial year and steadily increases to R421.7 million by 2024/25.

**Table 3 Operating Transfers and Grant Receipts**

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		275,874	303,024	387,001	344,669	344,669	344,669	379,532	398,288	421,749
Local Government Equitable Share		253,351	287,217	369,568	320,318	320,318	320,318	352,203	374,568	399,166
Finance Management		2,145	2,145	2,000	2,200	2,200	2,200	2,400	2,400	2,400
EPWP Incentive		3,519	3,362	3,409	3,851	3,851	3,851	4,035	-	-
Integrated National Electrification Programme		16,666	10,000	11,724	18,000	18,000	18,000	20,584	21,000	19,853
				-	-					
<b>LG SETA</b>		193	300	300	300	300	300	310	320	330

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 4.8 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 2022/23 financial year**

Category	Current Tariff (1 July 2021)	Proposed tariff (From 1 July 2022)
	<b>c</b>	<b>C</b>
Residential properties	0,00758	0,00794
State owned properties	0,04813	0,05044
Business & Commercial	0,03031	0,03176

The following table compares current and proposed amounts payable from 1 July 2022:

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

Description	Current tariffs 2021/22	Proposed tariffs 2022/23
Refuse Removal daily collection	R3 192	R3 345
Refuse removal Businesses	R2 155 per month	R2 258 per month
Refuse removal government	R2 155 per month	R2 258 per month
Refuse removal Business Medium	R 1 077 per month	R 1 129 per month
Refuse removal Business Small	R 455 per month	R 476 per month
Refuse removal residential	R 40 per month	R 42 per month
Refuse removal indigent	Free	Free

### 1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2022/23 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 2022/23 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	126,748	134,066	153,334	182,634	163,012	163,012	163,012	189,701	193,713	202,605
Remuneration of councillors		22,755	23,566	23,739	29,979	23,485	23,485	23,485	24,025	25,082	26,210
Debt impairment	3	28,151	36,001	45,383	32,000	29,000	29,000	29,000	29,000	30,000	31,000
Depreciation & asset impairment	2	85,169	89,130	90,354	74,800	65,800	65,800	65,800	91,000	92,000	93,000
Finance charges		1,474	1,393	3,941	-	-	-	-	-	-	-
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	4,253	11,974	7,703	9,300	9,100	9,100	2,809	10,500	10,765	12,650
Contracted services		69,194	57,732	41,917	111,316	122,655	122,655	122,655	137,393	134,510	152,877
Transfers and subsidies		5,222	600	955	1,000	600	600	600	1,000	1,100	1,220
Other expenditure	4, 5	50,547	35,394	43,921	60,978	61,634	61,634	61,634	65,992	68,336	71,319
Losses		(311)	(3,284)	13,906	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>393,202</b>	<b>386,571</b>	<b>425,152</b>	<b>502,007</b>	<b>475,285</b>	<b>475,285</b>	<b>468,995</b>	<b>548,611</b>	<b>555,506</b>	<b>590,881</b>

The budgeted allocation for employee related costs for the 2022/23 financial year totals R189, 7 million, which equals 34.57 per cent of the total operating expenditure. Based on circular 115 CPI inflation, the salary increases have been factored into this budget at a percentage increase of 4,9 per cent for the 2022/23 financial year. An annual increase of 4,4 per cent and 4,5 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 percentage used for employees related cost was also used to councillors while waiting for the release of determination of upper limit.

The provision of debt impairment was determined. For the 2022/23 financial year this amount equates to R29 million and increase to R31 million by 2024/25. 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 R91 million for the 2022/23 financial and equates to 16.58 per cent of the total operating expenditure.

Inventory Consumed comprise of amongst others the inventory for maintenance. For 2022/23 the appropriation against this group of expenditure has gone up by 273,79 per cent (R7.6 million) and continues to go up at 2,52 per cent and 17,51 per cent for the two outer years.

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 2022/23 this expenditure increases by 7,07 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 2022/23 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											
Inventory Consumed (Project Maintenance)											
Contracted Services		7,840	5,653	5,516	38,600	43,873	43,873	43,873	45,700	49,130	53,050
Other Expenditure											
<b>Total Repairs and Maintenance Expenditure</b>	<b>9</b>	<b>7,840</b>	<b>5,653</b>	<b>5,516</b>	<b>38,600</b>	<b>43,873</b>	<b>43,873</b>	<b>43,873</b>	<b>45,700</b>	<b>49,130</b>	<b>53,050</b>

During the compilation of the 2022/23 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 2022/23 equates to R45.7 million an increase of 4,16 per cent in relation to the Adjustment Budget and it further increases by 7,97 percent in 2024/25. In relation to the total operating expenditure, repairs and maintenance comprises of 8.31; 8.84 and 8.98 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 2022/23 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**

<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		7,715	15,502	16,753	14,168	12,233	12,233	12,233	14,200	14,740	14,660
Executive and council		—	—	—	—	—	—	—	—	—	—
Finance and administration		7,715	15,502	16,753	14,168	12,233	12,233	12,233	14,200	14,740	14,660
Internal audit		—	—	—	—	—	—	—	—	—	—
<b>Community and public safety</b>		7,439	23,185	30,629	23,315	32,813	32,813	32,813	91,243	29,300	800
Community and social services		—	—	—	5,000	10,602	10,602	10,602	40,741	800	800
Sport and recreation		7,439	23,185	30,629	9,250	11,100	11,100	11,100	31,958	16,500	—
Public safety		—	—	—	2,000	4,046	4,046	4,046	—	—	—
Housing		—	—	—	7,065	7,065	7,065	7,065	18,544	12,000	—
Health		—	—	—	—	—	—	—	—	—	—
<b>Economic and environmental services</b>		63,933	78,672	90,951	73,489	93,533	93,533	93,533	39,980	110,950	109,549
Planning and development		—	—	—	1,670	700	700	700	1,500	8,000	—
Road transport		63,933	78,672	90,951	71,819	92,833	92,833	92,833	38,480	102,950	109,549
Environmental protection		—	—	—	—	—	—	—	—	—	—
<b>Trading services</b>		116	(4,198)	11,351	2,700	3,086	3,086	3,086	2,750	3,200	3,500
Energy sources		116	(4,198)	11,351	2,000	1,200	1,200	1,200	2,500	3,000	3,300
Water management		—	—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—	—
Waste management		—	—	—	700	1,886	1,886	1,886	250	200	200
<b>Other</b>		—	—	—	—	—	—	—	—	—	—
<b>Total Capital Expenditure - Functional</b>	3	79,203	113,162	149,685	113,672	141,665	141,665	141,665	148,172	158,190	128,509

Community & Social Services receives the highest allocation of R40,7 million in 2022/23 which equates to 27.49 per cent of the total capital budget. Roads Transport is at 25.96 per cent, R38.4 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, e 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. Draft 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 2022/23 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 2022/23, 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 R600,1 million in 2022/23 and increase to R661,1 million by 2024/25. This represents a year-on-year increase of 4.64 per cent for the 2023/24 financial year and an increase of 5.26 per cent for the 2024/25 financial year.
2. Revenue to be generated from property rates is R79.8 million in the 2022/23 financial year and increases to R87.1 million by 2024/25 which represents 15,04 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It decreases over the medium-term and tariff increases have been factored in at 15,00 per cent and 14.88 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to refuse removal constitutes the bigger component of the revenue basket of the municipality totalling R11.1 million for the 2022/23 financial year and increasing to R11,5 million by 2024/25. For the 2022/23 financial year services charges amount to 2,09 per cent of the total revenue base and decrease to 1,96 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 increase rapidly over the MTREF by 10.11 per cent for 2022/23 financial year, 4.94 per cent and 5.89 per cent for the two outer years.

**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 2022/23 to 2024/25 has not been allocated.
3. Single-year capital expenditure has been appropriated at R148, 1 million for the 2022/23 financial year and remains relatively constant over the MTREF at levels of R158.1 million and R128,5 million respectively for the two outer years.
4. 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 2022/23, capital transfers totals R65.5 million and escalates to R71.5 million by 2024/25.

**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 2021/22 MTREF provide for a further net increase in cash of R48 million for the 2021/22 financial year resulting in an overall projected position cash position of R131,3 million at year end.
4. As part of the 2021/22 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 totals R92,1 million as at the end of the 2022/23 financial year and decrease to R62, 4 million by 2024/25.

**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 2022/23 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 meets 4,14 per cent of 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. Water and Sanitation services – These services belong to Mopani District Municipality.
  - b. Electricity services – Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 1 600 households budgeted to be electrified in 2022/23.
  - c. Refuse services – backlog will be reduced by 5 528 households in 2022/23 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 draft 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 2021) 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 28 July 2021. Key dates applicable to the process were:

#### August 2021

- 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 2022/2023 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).



**October 2021**

- 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 2021**

- 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 2022**

- 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 2020/21 and all prior years.
- Assess municipal performance for the first 6 months of 2021/22 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2021/22 adjustment budget.

**March 2022**

- 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 2022**

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

**May 2022**

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2022/23.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The draft 2022/23 MTREF budget and IDP was tabled before council on 28 March 2022.

There were no deviations from the date for tabling the Draft Budget.

### 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 2022/23 MTREF, based on the approved 2021/22 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 2022/23 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 2021/22 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 2022/23 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 2022/23 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 2021/22 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 112 and 115 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 2022/23 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal draft IDP for 2022/2023 financial year is attached as **ANNEXURE S**.

## 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**
- Property Rental Policy – **ANNEXURE Q**
- Unallocated Deposit Policy - **ANNEXURE R**

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 2021 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 R448M, 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 gives assistance to local small business and it's called LED support.

For the coming financial year the local SMME'S will be assisted by R800 000.



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

Employee's costs of councillors and 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 15,2 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 2022/23 Medium-term capital budget per vote**

<b>Capital Expenditure - Functional</b>											
<i>Governance and administration</i>		7,715	15,502	16,753	14,168	12,233	12,233	12,233	14,200	14,740	14,660
Executive and council		—	—	—	—	—	—	—	—	—	—
Finance and administration		7,715	15,502	16,753	14,168	12,233	12,233	12,233	14,200	14,740	14,660
Internal audit		—	—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		7,439	23,185	30,629	23,315	32,813	32,813	32,813	91,243	29,300	800
Community and social services		—	—	—	5,000	10,602	10,602	10,602	40,741	800	800
Sport and recreation		7,439	23,185	30,629	9,250	11,100	11,100	11,100	31,958	16,500	—
Public safety		—	—	—	2,000	4,046	4,046	4,046	—	—	—
Housing		—	—	—	7,065	7,065	7,065	7,065	18,544	12,000	—
Health		—	—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		63,933	78,672	90,951	73,489	93,533	93,533	93,533	39,980	110,950	109,549
Planning and development		—	—	—	1,670	700	700	700	1,500	8,000	—
Road transport		63,933	78,672	90,951	71,819	92,833	92,833	92,833	38,480	102,950	109,549
Environmental protection		—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>		116	(4,198)	11,351	2,700	3,086	3,086	3,086	2,750	3,200	3,500
Energy sources		116	(4,198)	11,351	2,000	1,200	1,200	1,200	2,500	3,000	3,300
Water management		—	—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—	—
Waste management		—	—	—	700	1,886	1,886	1,886	250	200	200
<i>Other</i>		—	—	—	—	—	—	—	—	—	—
<b>Total Capital Expenditure - Functional</b>	3	79,203	113,162	149,685	113,672	141,665	141,665	141,665	148,172	158,190	128,509

Community & Social Services receives the highest allocation of R40,7 million in 2022/23 which equates to 27.49 per cent of the total capital budget. Roads Transport is at 25.96 per cent, R38.4 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, e 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 appointed to Risk division, three appointed 1 March 2020 and two was appointed on the 1 December 2021.

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 and they are able to hold one meeting per quarter.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a 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 SA37.

The tariffs structure for 2022/2023 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 draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

\_\_\_\_\_  
**MM Chauke**  
Municipal Manager:  
**Greater Giyani Municipality**  
LIM 331

\_\_\_\_\_  
**Date**