APPROVED BUDGET OF

GREATER GIYANI MUNICIPALITY

2019/20 TO 2021/22
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Approved by council on 29 May 2019

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Part 1 – Approved Budget

1.1 Mayor's Report

As per the precepts entailed in the constitution of this democratic country, let me indicate to your respectable house, honourable Speaker that in January this year, we as the executive committee and management, held a strategic planning session in Skukuza. It is during this time that we confirmed the municipal vision, mission and objectives. This, for the sake of determining the types of strategies to employ in order to fast track the most needed service delivery.

We also analysed the projects and programs which have been under implementation both from the previous financial years to date, as well as come with new ones, in order to realize our set objectives as per our mandate. Of course this we did not do in isolation. The unwavering cooperation we as a municipality have with sector departments, has presented us with an assortment of projects and programs which, in my view, will bring a great change for the better in the next financial year.

We are pleased to report to this august house that this budget is informed in the main by our extensive Integrated Development Programme (IDP) Public Participation Process we undertook in preparation for this day. This was an important consultation process to ensure honourship of the budget we are to present today. We thank you indeed for participating.

Town Planning and Land Use

I am particularly pleased to announce that we will speed up the process of proclaiming all open spaces in town as well as the townships. We hope that this will assist us in terms of fighting illegal occupation.

Meanwhile we have set aside R3million to contribute towards the town expansion project in relation to land to be made available by Mabunda Traditional Council. Equally we are pleased to announce that township establishment process at Siyandhani village is set to begin. We will also ensure that sites are demarcated for residential purposes at various villages.

We are currently demarcating at Ndhambi and Sikhunyani villages. This in light of the fact that the municipality have a serious backlog in as far as sites demarcation is concerned. In the light of this, the formalisation of Church View and Risinga/Makosha extension are under implementation. Furthermore, deeds registration of 539 sites at Giyani Section F is in the process and almost in the finalisation stage.

Meanwhile the street naming of Giyani Section D is under implementation.

The Spatial Development Framework (SDF) as well as the Local Economic Development Strategy will be reviewed respectively.

Under local and economic development (LED), we noted a major boost in local economy through the development of the New Masingita Mall, which on average has created 500 sustainable job opportunities. This is one of the springboards for further development attraction in Giyani.

Noteworthy to highlight is that the municipality has taken the business registration function and businesses are accordingly urged to come and register their business as well as renew the operating licences.

FINANCIAL VIABILITY

REVENUE COLLECTION

In order for this municipality to remain afloat it is essential that we improve our revenue collection rates, we need to ensure that we vigilantly implement our revenue enhancement strategy as well as enforcement of our credit control policy and by-law.

Our revenue base remains under pressure and needs to be expanded over the medium term to sustain the financial position of the municipality. We once more call upon our residents to show their support by prioritising payment of municipal services to build a better future in improving the living conditions of all residents.

Municipal councillors should educate and teach our residents the importance of paying for municipal services.

TARIFF INCREASES

In order to continue providing sustainable services, the municipality will maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality.

In this regard some cost drivers may necessitate increases above Consumer Price Inflation (CPI).

It is on this basis that tariffs are reviewed in order to ensure sufficient cash is generated to remain focused on effective service delivery that is economical and equitable to all communities.

The following table reflects the multi-year tariff assumptions for the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF):

Revenue category	2019/2020 proposed tariff increase	2020/2021 proposed tariff increase	2021/2022 proposed tariff increase
	%	%	%
Property Rates	5.2%	5.4%	5.4%
Refuse Removal / Solid Waste Sales	5.2%	5.4%	5.4%

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 5.2 %, this increase is in terms of the Municipal Budget Circular No. 94 for the 2019/20 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, the following increases will be implemented in the 2019/20 financial year. Refuse removal will go up by 5.2%, water will also go up by 5.4% and so is sewer.

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

We have annual budgets allocated for the following special programmes in the Office of the Mayor: Gender, Youth, Older Persons & Children, HIV/Aids, Traditional Affairs, Excellence Awards and Bursaries. These programmes are coordinated by specific officers placed in the Mayor’s office.

It is important to note that we have so far been able to offer our support materially to various Traditional Councils during their specific activities ranging from coronations, funerals as well as celebration of their special days. By this gesture, we are saying to the Traditional leadership that you occupy a special place in this municipality.

INFRASTRUCTURE DEVELOPMENT AND BASIC SERVICE DELIVERY

Provision of Water

For years, the municipality has and continues to face the challenges of water shortages due to the persistent drought conditions and inadequate water infrastructure. However, we are consoled by the recent visit of the former Honourable Minister of Water and Sanitation, Mr Gugile Nkwiti, who made an assessment on the current water project and has since resuscitated the project and we are hoping to have it completed within the 2020/21 financial year. Despite the challenge of water shortages, the municipality continues to strive to render water services to its communities, including the provision of portable water, water provision at funerals and other key occasions through our reticulation water system and utilising the recently procured water tanker truck.

Housing and Sanitation

With the assistance of the Provincial Department of Cooperative Governance, Human Settlement and Traditional Affairs, over 300 RDP housing units were allocated during the 2018/19 financial year. Whilst a total of 300 housing units have been allocated to Greater Giyani Municipality for implementation during the 2019/20 financial year.

With all these allocations, we are not ignorant of the huge housing backlog that still confronts us. This only reflects the reality of the growing number of our people in need of affordable housing.

Meanwhile we have went to refurbish and build houses at Giyani Section F, Homu14B, Homu 14A, Mahlathi, Siyandhani, Mashavele and Mageva villages.

During the 2018/19 financial year the backlog on electrification of our villages has been reduced and numerous villages were energised, that is, Mahlathi, Ximawusa, Ndindani, Vuhehli, Sekhiming, Dzingidzingi phase1. Mbaula and Dzingidzingi phase 2 are still under implementation and it remains our commitment to energise them by 28 June 2019.

We acknowledge delays in energising of the 51 High Mast lights, however, we continue to work with Eskom to ensure that we energise them as soon as possible.

The municipality has recently commenced with the construction of Three (03) projects; namely Section E upgrading from gravel to tar, Section F upgrading from gravel to paving and the completion of Mageva sports centre.

The municipality further acknowledges unique challenges that has resulted in an incomplete road infrastructure (Homu 14B to A) project and the municipality wishes to announce that various intervention strategies are currently being implemented to resuscitate the project. The municipality further thrives and commits to deliver a road that is of good quality to community within the 2019/20 financial year hence the project has further been catered for within the 2019/20 financial year.

The outcry for soccer pitches with lawn on our sport facilities has reached the attention of the municipality hence the municipality`s resolve to refurbish soccer pitches at Homu 14B, Gawula, Shivulani, Mageva and Giyani Section E Sport Centres. The target of the municipality is to ensure that the sports facilities become usable by the end of 2019/20 financial year while pursuing the option of completing the outstanding scope in phases.

In addition, the municipality further looks forward to the implementation of the following projects:-1. Completion of the Waste Disposal Site aimed at, in line with the municipality`s Vision, encouraging environmental sustainability within the municipality.

The Lighting of Giyani CBD in aim of encouraging a safer surrounding on areas seen to be crime hotspots, such as the Giyani Taxi Rank.

Honourable Speaker, I am pleased to announce that the energising of the 51 high mast lights is underway and should be completed by 30 June 2019.

As the municipality progresses in terms of developing new infrastructure, the need to maintain existing infrastructure still remains a priority hence the following infrastructure maintenance projects have been prioritised for the 2019/20 financial year:-

1. Rehabilitation of the tar road leading to the Giyani Cemetery and re-gravelling of the internal ring road.
2. Rehabilitation of Mninginisi Block 2 ring road.
3. Construction of the Bon’wani Culvert Bridge.

Meanwhile we continue to do well on our EPWP programme, we were rewarded handsomely last year for achieving our national targets and for that reason, other municipalities continue to benchmark from us.

Roads and Transport

We cannot down play the seriousness of the backlog we having in as far as road infrastructure is concerned. We are however, consoled by the fact that the former MEC for Public Works, Roads, and Infrastructure Mme Nandi Ndalane has committed to tar both Mageva to Makhuva road and Thomo to Hlomela road. In the interim, we will continue to urge the Department to maintain all gravel roads on a regular basis to make life much easier for our people.

Additionally, the municipality has committed to co-fund the implementation of Xikukwani to N`wadzekudzeku and Nkomo B to Nkomo A upgrading from gravel to tar.
The plan to construct an alternative road leading into the CBD is currently at design stage. The construction of the new Municipal Offices is in progress, and is envisaged to be completed within the 2019/20 financial year.

Community Safety
We are proud to report that we have enhanced and strengthened our capacity for ensuring road and traffic safety. The operationalization of the integrated traffic management system, which includes amongst others, the operationalization of a mobile road speed camera service, infringement road blocks and eNATIS licence renewal blocking, has helped inculcate a culture of good and responsible road behaviour, thereby reducing lawlessness on our roads.

Over and above enhancing road safety, the implementation of the integrated traffic management system has and continues to contribute greatly to enhance revenue generation for the municipality.

We have noted the rapid increase of clients coming to our Licencing Station for various licencing services. This is evident that people have confidence in us to provide them with the much needed services. We will continue to best render these services to our citizenry.

The increased client base has posed some challenges where the municipality has to heighten its capacity to respond to the large numbers that confidently come to us to be serviced. We have prioritized to capacitate the Traffic and Licencing Unit in 2019/20 so that it is able to respond to the service demand. We hereby encourage our communities to continue coming to us to be serviced, we commit that we will do all reasonably practical to continue improving our services.

Sport, Art, Culture and Recreation

It is a well-known fact that we are doing well with regard to sport, arts and culture in the municipality. Amongst others we have so far achieved the following during the year under review:

- We have grown the Mayor’s cup both in popularity and stature. The Mayor`s Cup continues to contribute in nurturing and unearthing the talents of our young people.

- We distributed several kits to various wards through our sports development programme. This year, we have expanded our support to include support for cricket codes. Two under 15 teams will be supported during the financial year under review and it is planned that they should participate in the Mayor`s Cup 2019.
- We successfully celebrated our Heritage through the Arts and Culture Festival in November 2018. Just over the past weekend, we have had the local Indigenous Games at Mapayeni village.

Environment and Waste Management

The municipality continues to constantly render refuse removal services to our communities, in particular the township. However, it should be noted that our efforts are hampered by some of our residents who continue to dump illegally in prohibited areas. I hereby thus make a call to all our residents to act responsibly and respect the environment.

It is with pleasure to announce that the municipality has secured R5 million for conversion of illegal dumps into recreational facilities and the development of a park in Giyani Section F.

Additionally, the municipality has secured an allocation of a budget of R15 million for the establishment of Mahumani Community Nature Reserve and R20 million for the establishment of Vahlave Community Conservation Project, both from the Department of Environmental Affairs.

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

We can proudly indicate that Municipal Council remains stable as the Council and its Committees are functional and able to discharge their Legislative mandate.

Furthermore, all Ward Committees are functional and the community is able to participate in all affairs of the municipality in line with Legislation.

The municipality has prioritised to fill all critical vacant positions during the 2019/20 financial year and budget has been set aside to this effect.

TRAINING OF COUNCILLORS AND MUNICIPAL EMPLOYEES.

We remain committed to training our employees and councillors in order to improve work based skills and knowledge to enable them to perform their respective functions competently.

BURSARIES TO MUNICIPAL EMPLOYEES.

It is important to note that the municipality has awarded bursaries to all qualifying municipal employees who applied during 2018/19 financial year in line with the Training and Development Policy.

Amongst others, the bursaries seek to help employees to study for qualifications relevant to their areas of operations, improve their skills, knowledge and experience as well as to enhance productivity.

Ours is to create an enabling environment for smooth running of the municipality and that cannot be achieved unless the staff establishment is well equipped and supported adequately.

To this end, Council will stop at nothing in ensuring that all key positions are filled and its personnel are continually capacitated.

AUDIT

It is with pride to pronounce that the Auditor General's report for the 2017/18 audit has improved from an adverse to a qualified opinion with regard to finances. We have also improved in terms of overall performance audit outcome from qualified to unqualified opinion.

With this recorded improvements, we aspire to further improve on the audit performance.

All we need to do is to constantly monitor progress on the developed Audit Remedial Action Plan in order to ensure that it is fully implemented. Our ultimate goal is to get a clean audit and nothing else, and we must be seen to be all working towards that goal.

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 **2019/20** amount to **R452 061 000.**

Here under are the projects for 2019/20:

Golf Course Development	100,000.00
Electricity Operations	300,000.00
Upgrading of Traffic Lights & R81 Lighting	1,400,000.00
Machinery & equipment	1,500,000.00
Vehicles	1,000,000.00
ICT Network Infrastructure	2,400,000.00
Help desk system	300,000.00
Computer equipment	1,200,000.00
By laws Development	500,000.00
Upgrading of Parking Lot	50,000.00
Civic Centre Building Phase 3	20,000,000.00
Furniture & Fittings	1,000,000.00
Fire arms	100,000.00
Law enforcement equipment	500,000.00
Giyani Section F Streets Phase 4	13,410,717.00
Giyani Section E Upgrading from Gravel to Tar Phase 3	7,043,626.00
Alternative Road To Giyani From R82	2,000,000.00
Xikukwane Gravel To TARR(RAL)(D3804 & D3805)	3,000,000.00
Homu 14B to 14A Upgrading from Gravel to Tar	8,948,477.00

Refurbishment of Sporting Facilities (Gawula)	2,000,000.00
Nkomo B to A (D3837) Upgrading from gravel to tar	2,500,000.00
Culvert Bridges to cemeteries	100,000.00
Section E From Gravel To TARR	1,000,000.00
Installation of cameras & monitor	2,000,000.00
walk through metal detector & x-ray machine	500,000.00
Waste Disposal Site Development	12,500,000.00
Skip bins	100,000.00
Mageva Sports Centre	15,750,780.00
Refurbishment of Giyani Stadium & Section A Tennis Cou	500,000.00
Refurbishment of Shivulani Sports Centre	2,000,000.00
Section E Sports Centre	5,000,000.00
Automated PMS System	1,166,666.00
	109,870,266.00

I now formally present the **final 2019/2020 IDP, and MTREF BUDGET FOR 2019/20 FINANCIAL YEAR AND THE TWO OUTER YEARS 2020/21/2021/22 coupled with the mscoa data string, Tariff structure, Service Standards (in terms of MFMA Budget circular no. 75 and 78), Organisational structure and budget related policies** for **Approval** by Council.

1.2. Council Resolutions

On 29 May 2019 the Council of Greater Giyani Local Municipality met in the Giyani Old Legislative Assembly Hall to consider the approved budget of the municipality for the financial year 2019/20. 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 2019/20 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 tables:
        1.2.1. Budgeted Financial Position as contained in Table 23 ;
        1.2.2. Budgeted Cash Flows as contained in Table 24 ;
        1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 ;
        1.2.4. Asset management as contained in Table 26 ; and
        1.2.5. Basic service delivery measurement as contained in Table 27.

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 2014:
    2.1. the tariff structure of municipal services as set out in Annexure A.

3. To give proper effect to the municipality's annual budget, the Council of Greater Giyani Local Municipality approves:
    3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

SIGNED FOR AND ON BEHALF OF
THE GREATER GIYANI MUNICIPAL COUNCIL

SPEAKER

	29/05/2019
CLLR M P HLUNGWANI	**DATE**

MAYOR

	29/05/2019
CLLR B A SHIVAMBU	**DATE**

COUNCILLOR FOR FINANCE

	29/05/2019
CLLR K A MANGANYI	**DATE**

1.3. Executive Summary

National Treasury's MFMA Circular No. 94 and 95 were used to guide the compilation of the 2019/20 MTREF.

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

- 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 2019/20 MTREF process; and

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

- The 2018/19 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 2019/20 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 2019/20 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2019/20 MTREF

R thousand	Adjustments Budget 2018/19	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Operating Revenue	395,870	437,061	457,969	494,214
Total Operating Expenditure	351,813	372,191	392,210	430,009
(Surplus)/Deficit for the year	44,057	64,870	65,759	64,205
Total Capital Expenditure	74,757	109,870	95,759	94,205

Total operating revenue has gone up by 10.405 per cent or R41, 2 million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational revenue will increase by 4.784 and 7.914 per cent respectively.

Total operating expenditure for the 2019/20 financial year has been appropriated at R372.million and translates into a budgeted surplus of R64, 8 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has grown by 5,792 per cent in the 2019/20 budget and by 5.379 and 9.637 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R65, 8 million and then stabilise at R64, 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 R109.9 million for 2019/20 is 46.97 per cent more when compared to the 2018/19 Adjustment Budget. The capital programme decreases to R95, 8 million in the 2020/21 financial year and then evens out in 2021/22 to R94, 2 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 2019/20 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 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 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	30,676	33,865	35,238	35,000	38,000	38,000	38,000	39,976	42,135	44,410
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	4,237	4,473	4,595	4,700	5,300	5,300	5,300	5,400	5,450	5,450
Rental of facilities and equipment		880	880	836	788	1,012	1,012	1,012	1,222	1,242	1,267
Interest earned - external investments		13,401	15,175	11,959	15,200	4,880	4,880	4,880	5,000	5,100	5,150
Interest earned - outstanding debtors		8,473	5,646	12,205	6,000	2,000	2,000	2,000	3,400	3,584	3,777
Dividends received			–		–				–	–	–
Fines, penalties and forfeits		93	31	6,256	32	2,200	2,200	2,200	10,000	11,000	11,000
Licences and permits		5,174	4,926	5,161	7,300	5,080	5,080	5,080	6,000	6,100	6,150
Agency services		285	319	227	–				–	–	–
Transfers and subsidies		226,341	222,488	241,320	270,595	275,931	275,931	275,931	303,024	316,807	345,521
Other revenue	2	1,162	1,842	1,579	22,956	1,995	1,995	1,995	2,351	2,503	2,605
Gains on disposal of PPE		427		542							
Total Revenue (excluding capital transfers and contributions)		**291,149**	**289,644**	**319,918**	**362,571**	**336,397**	**336,397**	**336,397**	**376,373**	**393,920**	**425,330**

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 2018/19 financial year, revenue from rates and services charges totalled R43, 3 million. This stabilise at R45.4 million, R47.6 million and R49.9 million in the respective financial years of the MTREF.

Operating grants and transfers totals R303 million in the 2019/20 financial year and steadily increases to R345, 5 million by 2021/22.

Table 3 Operating Transfers and Grant Receipts

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		236,341	232,488	261,320	270,595	275,931	275,931	303,024	316,807	345,521
Local Government Equitable Share		221,972	219,308	234,578	253,351	253,351	253,351	287,217	307,312	329,523
Finance Management		1,675	1,810	2,145	2,145	2,145	2,145	2,145	2,145	2,409
EPWP Incentive		1,581	1,158	4,364	3,519	3,519	3,519	3,362	–	–
Integrated National Electrification Programme		10,000	10,000	20,000	11,200	16,666	16,666	10,000	7,000	13,189
Municipal Systems Improvement		930	–	–						
LG SETA		184	212	233	380	250	250	300	350	400

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 5.5 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.3.2. Property Rates

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

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

Table 4 Comparison of proposed rates to levied for the 2019/20 financial year

Category	Current Tariff (1 July 2018)	Proposed tariff (from 1 July 2019)
	c	C
Residential properties	0,00663	0,00698
State owned properties	0,04378	0,04606
Industrial properties	0.01314	0.01382
Business & Commercial	0,02654	0,02792
Farms	0.00169	0.00177

The following table compares current and proposed amounts payable from 1 July 2019:

Table 5 Comparison between current waste removal fees and increases

Description	Current tariffs 2018/19	Proposed tariffs 2019/20
Refuse Removal daily collection	R2 794,17	R2 939,47
Refuse removal Businesses	R1 886,66 per month	R1 984,77 per month
Refuse removal government	R1 886,66 per month	R1 984,77 per month
Refuse removal Business Medium	R 943,33 per month	R 992,38 per month
Refuse removal Business Small	R 398,03 per month	R 418,73 per month
Refuse removal residential	R 35,37 per month	R 37,21 per month
Refuse removal indigent	Free	Free

1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2019/20 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 2019/20 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	108,057	119,525	125,314	151,097	139,655	139,655	139,655	164,551	180,024	193,365
Remuneration of councillors		18,274	19,432	22,144	23,857	22,921	22,921	22,921	23,923	25,513	27,210
Debt impairment	3	7,246	25,229	39,446	10,000	10,000	10,000	10,000	16,000	20,000	25,000
Depreciation & asset impairment	2	20,362	38,554	84,608	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Finance charges				111							
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8	25,777	16,265	–	10,855	4,000	4,000	4,000	9,000	12,000	14,790
Contracted services		301	–	52,028	70,884	89,967	89,967	89,967	71,238	57,443	69,225
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	112,811	101,309	56,508	55,202	55,270	55,270	55,270	57,479	67,230	70,420
Loss on disposal of PPE			2,380								
Total Expenditure		**292,828**	**322,694**	**380,160**	**351,895**	**351,813**	**351,813**	**351,813**	**372,191**	**392,210**	**430,009**

The budgeted allocation for employee related costs for the 2019/20 financial year totals R164, 5 million, which equals 44.21 per cent of the total operating expenditure. Based on the National Treasury circular for budget, salary increases have been factored into this budget at a percentage increase of 6, 5 per cent for the 2019/20 financial year. An annual increase of 6, 65 per cent and 6, 65 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 2019/20 financial year this amount to R16 million and increase to R20 million by 2020/21. 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 R30 million for the 2019/20 financial and equates to 8.06 per cent of the total operating expenditure.

Other materials comprise of amongst others the materials for maintenance. For 2019/20 the appropriation against this group of expenditure has went up by 125 per cent (R5 Million) and continues to grow at 33, 33 per cent and 23.25 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 2019/20 this expenditure increases by 3, 99 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 2019/20 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 7 Operational repairs and maintenance

Repairs and Maintenance	8										
Employee related costs		–	–	–	–	–	–	–	–	–	–
Other materials		25,777	16,265		18,610	14,310	14,310	14,310	4,500	7,000	7,000
Contracted Services		–	–	2,879	–				10,135	13,185	15,846
Other Expenditure		–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	9	25,777	16,265	2,879	18,610	14,310	14,310	14,310	14,635	20,185	22,846

During the compilation of the 2019/20 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 2019/20 equates to R14.6 million a growth of 2, 27 per cent in relation to the Adjustment Budget and continues to grow by 37.92% in 2020/21. In relation to the total operating expenditure, repairs and maintenance comprises of 3.93 ; 5.15 and 5.31 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 80 000 or more indigent households during the 2019/20 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 2019/20 Medium-term capital budget per vote

Capital Expenditure - Functional											
Governance and administration		**485**	**3,149**	**8,380**	**13,900**	**11,900**	**11,900**	**11,900**	**31,617**	**16,229**	**8,074**
Executive and council		–							1,167	1,167	1,167
Finance and administration		485	3,149	8,380	13,900	11,900	11,900	11,900	30,450	15,062	6,907
Internal audit									–	–	–
Community and public safety		**37,449**	**2,021**	**21,091**	**17,615**	**5,110**	**5,110**	**5,110**	**25,351**	**–**	**55,440**
Community and social services		15,205	–	1,066	2,750	–	–	–	100	–	40,440
Sport and recreation		22,244	2,021	20,025	13,365	5,110	5,110	5,110	25,251	–	15,000
Public safety		–	–	–	1,500	–	–	–	–	–	–
Housing									–	–	–
Health									–	–	–
Economic and environmental services		**21,222**	**25,354**	**65,094**	**45,466**	**54,547**	**54,547**	**54,547**	**40,002**	**47,493**	**22,992**
Planning and development		488	–	–	150	150	150	150			
Road transport		20,734	25,354	65,094	45,316	54,397	54,397	54,397	40,002	47,493	22,992
Environmental protection									–	–	–
Trading services		**4,782**	**–**	**13,275**	**23,168**	**2,500**	**2,500**	**2,500**	**12,900**	**32,038**	**7,700**
Energy sources		1,097	–	–	4,300	1,300	1,300	1,300	300	400	500
Water management									–	–	–
Waste water management									–	–	–
Waste management		3,685	–	13,275	18,868	1,200	1,200	1,200	12,600	31,638	7,200
Other									**–**	**–**	**–**
Total Capital Expenditure - Functional	3	**63,937**	**30,524**	**107,840**	**100,149**	**74,057**	**74,057**	**74,057**	**109,870**	**95,759**	**94,205**

Transport and roads receives the highest allocation of R40 million in 2019/20 which equates to 36.40 per cent of the total capital budget. Finance and admin is at 27.71 per cent, R30, 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, 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 2019/20 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 2019/20, 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 if 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 R437 million in 2019/20 and escalates to R494.2 million by 2021/22. This represents a year-on-year increase of 10.405 per cent for the 2019/20 financial year and 7.914 per cent for the 2021/22 financial year.
2. Revenue to be generated from property rates is R39.9 million in the 2019/20 financial year and increases to R44.4 million by 2021/22 which represents 10, 62 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 5, 4 per cent and 4.71 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R5.4 million for the 2019/20 financial year and increasing to R5.45 million by 2021/22. For the 2019/20 financial year services charges amount to 1,24per cent of the total revenue base and grows by 1,1 per cent per annum over the medium-term.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 9.82 per cent for 2019/20 financial year, 4.55 per cent and 9.063 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 2019/20 has been allocated of the total R109, 9 million capital budgets. This allocation decreases to R95, 8million in 2020/21 and then flattens out to R94, 2million in 2021/22.

3. Single-year capital expenditure has been appropriated at R8, 5 million for the 2019/20 financial year and remains relatively constant over the MTREF at levels of R10.7 million and R4, 7 million respectively for the two outer years.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2019/20, capital transfers totals R60.6 million and increase to R68.8 million by 2021/22.

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 2018/19 MTREF provide for a further net decrease in cash of R5.8 million for the 2018/19 financial year resulting in an overall projected position cash position of R8,7 million at year end.
4. As part of the 2018/19 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 2019/20 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R31, 7 million as at the end of the 2019/20 financial year and increase to R35.4 million by 2021/22.

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 2019/20 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 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 6 019 households in 2019/20 financial year. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.

Part 2 – Supporting Documentation

2.1. Overview of the approved budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

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

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

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

2.1.1. Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 28 July 2018. Key dates applicable to the process were:

August 2018

- 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 2019/2020 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

October 2018

- 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 2018**
  - 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 2019

- 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 2017/18 and all prior years.
- Assess municipal performance for the first 6 months of 2018/19 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2018/19 adjustment budget.

March 2019

- 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 2019

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

May 2019

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2019/20.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The Approved Budget for 2019/20 MTREF budget and IDP was tabled before council on 29 May 2019.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

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 2018/19 MTREF, based on the approved 2018/19 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 2019/20 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 2018/19 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 2019/20 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 2019/20 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 92 and 94 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 2019/20 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal Approved IDP for 2019/2020 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**
- Service standards **– ANNEXURE P**
- Organisational Structure – **ANNEXURE Q**
- Procurement Plan **– 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 2018 has been taken into account. The anticipated increase in revenue from municipal tariffs and improving collection rate, estimated at 70 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 R363.7M, were factored into the funding envelope. This is to ensure that the budget is based on realistically anticipated revenue.

The projected deficit before recognized capital transfers and depreciation offsets represents a non-cash deficit made up of depreciation charges.

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.

2.8. Councillors and board member allowances and employee benefits

Employees costs of councillors and officials are budgeted for at a global increase of 6, 5 per cent as confirmed increment rates are not yet available. This is based on a weighting of headline inflation estimates and indications from negotiations going on at the bargaining chamber. The actual increment is 6, 5 per cent but on SA22 it's shows 15, 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 2019/20 Medium-term capital budget per vote

Capital Expenditure - Functional											
Governance and administration		**485**	**3,149**	**8,380**	**13,900**	**11,900**	**11,900**	**11,900**	**31,617**	**16,229**	**8,074**
Executive and council		–							1,167	1,167	1,167
Finance and administration		485	3,149	8,380	13,900	11,900	11,900	11,900	30,450	15,062	6,907
Internal audit									–	–	–
Community and public safety		**37,449**	**2,021**	**21,091**	**17,615**	**5,110**	**5,110**	**5,110**	**25,351**	**–**	**55,440**
Community and social services		15,205	–	1,066	2,750	–	–	–	100	–	40,440
Sport and recreation		22,244	2,021	20,025	13,365	5,110	5,110	5,110	25,251	–	15,000
Public safety		–	–	–	1,500	–	–	–	–	–	–
Housing									–	–	–
Health									–	–	–
Economic and environmental services		**21,222**	**25,354**	**65,094**	**45,466**	**54,547**	**54,547**	**54,547**	**40,002**	**47,493**	**22,992**
Planning and development		488	–	–	150	150	150	150			
Road transport		20,734	25,354	65,094	45,316	54,397	54,397	54,397	40,002	47,493	22,992
Environmental protection									–	–	–
Trading services		**4,782**	**–**	**13,275**	**23,168**	**2,500**	**2,500**	**2,500**	**12,900**	**32,038**	**7,700**
Energy sources		1,097	–	–	4,300	1,300	1,300	1,300	300	400	500
Water management									–	–	–
Waste water management									–	–	–
Waste management		3,685	–	13,275	18,868	1,200	1,200	1,200	12,600	31,638	7,200
Other									**–**	**–**	**–**
Total Capital Expenditure - Functional	3	**63,937**	**30,524**	**107,840**	**100,149**	**74,057**	**74,057**	**74,057**	**109,870**	**95,759**	**94,205**

Transport and roads receives the highest allocation of R40 million in 2019/20 which equates to 36.40 per cent of the total capital budget. Waste management is at 11.46 per cent, R12, 6 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 four interns undergoing training in various divisions of the Financial Services Department and one is appointed to Internal Audit from 1 December 2016.

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 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 2019/2020 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 **Date**

Municipal Manager:

Greater Giyani Municipality

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