APPROVED BUDGET OF

GREATER GIYANI MUNICIPALITY

2017/18 TO 2019/20
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Approved by council on 26 May 2017

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Table of Contents

ANNEXURE…...1

PART 1 – APPROVED BUDGET………………………………………………………..3

1.1 Mayors Report ……………………………………………………………………...3
1.2 Council Resolutions………………………………………………………….....13
1.3 Executive Summary……………………………………………………………......15
1.4 Operating Revenue Framework…………………………………......................16
1.5 Operating Expenditure Framework…………………………………………...20
1.6 Capital Expenditure…………………………………………………………....22
1.7 Approved Budget Tables………………………………………………………....22

PART 2 – SUPPORTING DOCUMENTATION…………………………………………33

2.1**.** Overview of the Approved Budget Process…………………………………....33

2.2. Overview of the alignment of Annual Budget with IDP……………………………...37

2.3. Overview of Budget Related Policies…………………………………………………39

2.4. Overview of Budget Assumptions……………………………………………….40

2.5. Overview of Budget Funding……………………………………………………..40

2.6. Expenditure on allocations and grants programmes……………………………...40

2.7. Allocations of grants made by the municipality………………………………………41

2.8. Councillors and board member allowances and employee benefits………………42

2.9. Monthly targets for revenue, expenditure and cash flow……………………………43

2.10. Contracts having future budgetary implications……………………………………44

2.11. Capital expenditure details…………………………………………………………45

2.12. Legislation compliance status……………………………………………………..46

2.13. Other supporting documentation…………………………………………………47

2.14. Approved budgets of municipal entities…………………………………………..48

2.15. Municipal Manager's quality certification………………………………………...49

Part 1 – Approved Budget

1.1 Mayor's Report

This year marks the 100th anniversary of the birth of Oliver Reginald Tambo, a diligent leader of the people who led the struggle for freedom and democracy for many years under difficult circumstances.

In honour and memory of this gigantic selfless servant of the people, the ruling party has declared 2017, the year of OR Tambo and the year of unity in action.

Without a doubt, OR Tambo was indeed a selfless servant of the people and an embodiment of the struggle for democracy, non-racialism, non-sexism and unity. Most importantly, OR Tambo valued and prized the freedom of his people above anything. Here we are today, presenting this budget speech, thanks to his selflessness contribution to our freedom.

Today as we gather here, we doing so during the month of May, in this month, the country celebrate amongst others the Workers day, Africa day and mother's day.

Shamefully, throughout the country, we have received sad news of brutally murdered women and children, mainly, this people died on the hands of their perceived lovers, relatives or someone they know. We therefore want to appeal to all good men out there to isolate and condemn all evil men who prey on innocent defenceless women and children. Let us jointly say enough is enough.

Meanwhile we cannot ignore the spate of suspected ritual killings that took place around Greater Giyani areas. Equally, we say to all those who are involved to refrain from these evil acts.

It is with great pleasure to introduce to you, the very energetic young man who put Giyani on a map recently by walking well over 1978 kms from Giyani to Cape Town. He is in our mist and his name is Mr Nkosinathi Manganyi. We are so proud of you.

Since his return, this gentleman has embarked on various community development projects. We therefore appeal to all our local business men and women to lend a helping hand for the success of these projects.

We are proud to recognise another young man, he is a local journalist aligned to several media houses. He is not in our mist as he is attending the Kruger National Park Achievement Awards for outstanding Journalists as a recipient. His name is Mr Orlando Chauke. This is his second award following his recognition for best community media journalist of the year in 2014, conferred to him by Caxton media group. We congratulate him in absentia.

Today, 23-years after the democratic dispensation, 16-years after the establishment of the current local government system on the 5th of December 2000 and almost 10 months since this council was overwhelmingly voted into office by our people, we can confidently confirm that ours is a democratic, people centred local government.

As per the precepts entailed in the constitution of this democratic country, let me indicate to your respectable house that in December last year, we as the executive committee and management, held a strategic planning session in Makgoebaskloof. 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 by the former council, as well as come with new ones, in order to realize our vision for the coming five years. 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 during this financial year.

Town Planning and Land Use

With regards to the formalisation of settlements, we are pleased to announce that we have successfully formalised B9 at Makosha village. The formalisation of Risinga and Eco-park is on-going as planned for this financial year (2016/17).

In an effort to ensure rapid speed in developing two of our available sites including the land made available by Mabunda Traditional Authority as well as the 539 sites at section F, we recently visited Mbombela and Rustenberg Municipalities to benchmark on how they successfully implemented similar projects. Coming from these visits, we are confident that the experience shared with our counterparts will go a long way in helping us implement these projects.

We consulted on the Spatial Planning and Land Use Management Act (SPLUMA) by-law. I have no doubt that the land issue is so full of challenges. I believe that when the right time arises, we shall have the related by-law gazetted, and it will assist a great deal in responding to the ever growing challenges of land use.

LOCAL ECONOMIC DEVELOPMENT

We hosted a very successful economic summit during the financial year under review (2016/17). During this summit, amongst others, we resolved to intensify support for medium and micro enterprises.

We have supported more than 20 SMMEs by way of sending them to various shows such as the Marula festival, Easter Rand Show and Durban Indaba to market their products.

We are pleased to reveal that plans to open Shangoni gate into the Kruger National Park via Giyani are still on course. It is also our pleasure to announce to this august house that we are facilitating the re-opening of the Siyandhani Airport.

Equally significant is the plan to re-vitalise all irrigation schemes in and around Giyani to boost local economy.

INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

The National Development Plan (and the Limpopo Development Plan) calls for responsive, accountable, effective and efficient local government, and our Integrated Development Plan (IDP) requires us

"to develop and retain the best human capital, effective and efficient administrative and operational support systems"

To this end, the municipality will review the LED strategy to align it with the Limpopo Development Plan and the National Development Plan to ensure an integrated approach.

The 2016/17 mid-year analysis results from COGHSTA, which indicate that we have achieved our year target plans by 73% ahead of all other municipalities in the district, is evidence that we are on the right track. The results came after we successfully managed to submit all our reports on Service Delivery Budget and Implementation Plan (SDBIP) of our first quarter, focussing on achieved and non-achieved targets.

The introduction of Complaints Management System and the promotion of Performance Management Systems have been further strengthened by the appointment of the customer care coordinator located within communications unit.

These two systems feed directly in service delivery performance as employees are geared towards performance targets and citizens' complaints are attended to swiftly. Thus we urge all of our people to raise their concerns and complaints through the Communication Office - The number to call is 015 811 5581 or 0768126020 / 083 4040 434.

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.

As things stands now, 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 pay for their municipal services, is the right thing to do.

TARIFF INCREASES

In order to continue providing sustainable services, the municipality should be in a position to cover costs associated with the provision of services. 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.

Thus, our multi-year tariff assumptions for the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) will increase by 6.4% for property rates, water services, sanitation and refuse removal or solid waste sales. By 5.7% for 2018/19 and by 5.6% for 2019/20. Once again these include property rates, water services, sanitation, refuse removal or solid waste sales.

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, property rates have to be increased. The property rates will go up by 6.4 %, this increase is in terms of the Municipal Budget Circular No. 86 for the 2017/18 MTREF.

Rental of municipal facilities are based on cost recovery. Tariffs for 2017/2018 have been significantly increased to ensure cost reflective tariffs. Factors such as electricity costs, water usage, maintenance costs, personnel costs, overtime costs and cleaning material were taken into account.

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.

We have successfully launched the Aids Council which will assist us to continue to fight the scourge of HIV/Aids pandemic. We have launched Gender Forum, Men Forum and Women Caucus.

The Mayor has adopted a child headed home at Mhlava Wellemu during the International Aids day hosted by the office of the Premier at the village. We are pleased to announce that the office continue to support the kids with groceries and other basic amenities on a month to month basis.

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 government.

INFRASTRUCTURE DEVELOPMENT AND BASIC SERVICE DELIVERY

Provision of Water

For years, the municipality have been grappling with challenges of water shortages. This problem was aggravated by the fact that our area is naturally dry.

Given the fact that the area is naturally dry just aggravated the situation. However, we are pleased to reflect the positives that came as a result of the national department of Water and Sanitation's intervention that eased the situation for everyone to see.

Housing and Sanitation

With the assistance of the provincial department of Cooperative Governance, Human Settlement and Traditional Affairs, well over 440 RDP units were built during the financial year under review (2016/17). Significantly, a total of 921 housing units have been allocated to Greater Giyani Municipality for implementation during 2017/18 financial year.

With all these achievements, we are not ignorant of the huge housing back log which currently stands at 6084. This only reflects the reality of the growing number of our people in need of affordable house.

Electricity

With all our 91 villages having been electrified since the dawn of the ANC led government in 1994, we are now left with a mammoth task to ensure that all extensions are electrified. We know that this is not going to be easy. But with a winning mentality, we will make it. We will not be able to cover everyone at a go; we expect complaints and dissent from some section of the communities, who may not immediately be on the benefiting list. We call for calm as we allow for the peaceful and continuous engagements with all key stakeholders for an amicable solution.

We are very pleased to announce that the following electricity projects are complete:

- Electrification of Mninginisi Block 3.
- Electrification of Gandlanani and Silawa.
- Electrification of Bambeni village.
- Electrification of Mzilela and Kheyi.
- Electrification of Maswanganyi.

The following projects are either in construction or planning stages:

- Electrification of N'wamankena Village.

- Electrification of Vuhehli, Ndindani, Gawula, Nwakhuwani, Mahlathi & Ntshuxi Villages.
- Electrification of Hlomela, Siyandhani, Babangu & Ntshuxi Villages.
- Electrification of Shikumba,Nkomo B&C, Dzingidzingi Villages.
- Electrification of Mbaula,Mushiyani,Xitlakati & Khaxani Villages.

Highmast lights installation and energising:

- 31 Highmast Lights Installation are complete and 5 have already been energised.
- 51 Highmast Lights – the project is in progress and energising will begin in June 2017.

CIVIC CENTRE OFFICE PHASE 2 – COMPLETION

- Project is currently at Practical Completion Stage.
- Civic Centre Fencing and Guardhouse is complete.

THOMO COMMUNITY HALL & MAGEVA SPORTS CENTER

- Thomo community hall project is at Practical Completion Stage.
- Mageva Sport centre – Site was handed over to the contractor and work will begin soon.

The following projects are either complete, on tender or in progress:

- Nkomo B Upgrading from Gravel to Tar – The Project is Complete.
- Mbaula Access Road Upgrading to Tar - The Contractor is busy Surfacing.
- Giyani Section F Phase 3 Paving – The Contractor is busy with Excavations.
- Bode Paving of Internal Streets **–** The Project is on Tender for Appointment of Contractor.

The following are planned projects for 2017/18

- Bode Paving of internal Street.
- Waste Disposal Site.
- Refurbishment of Gawula Sport centre.
- Refurbishment of Shivulani sport centre.
- Refurbishment of Giyani Section A and tennis court.
- Rehabilitation of Dumping Site.

Below are some of our notable achievements:

- The municipality is currently number one in Limpopo on MIG expenditure and it's been three years in a row.
- To that effect, the municipality received a bonus of 30 million from Coghsta because of the excellent performance on MIG.
- The department of Energy also gave the municipality additional 3 million bonus on electrification for better performance.
- Last financial year the municipality received 20 million as a performance bonus.
- Mbaula access road and Thomo community hall will be completed earlier than expected.
- On EPWP programme, we have achieved our national targets and for that reason, our allocation has increased from 1 million to 4 million which means more jobs will be created next financial year.

Roads and Transport

We cannot down play the seriousness of the backlog we having in as far as road infrastructure is concern. We continue to receive complaints surrounding issues of road maintenance or tar.

We still have backlogs in provincial roads such as, Thomo to Hlomela road, Mageva to Makhuva road, Ndhambhi to Xitlakati road, Mphagani to Xitlakati road, Mniginginisi to Shangoni gate and Xikukwana to Xivulani. We also acknowledge as a fact that these very roads are not regularly graded or so well maintained. We are equally very concern. Thus, we are working closely with the department to find a solution to this challenge.

Community Safety

We are pleased to report that we have set aside budget to further strengthen our capacity for ensuring community safety. In this regard, a new position for Community Safety Manager as well as a Chief Traffic Officer post have already been advertised and will appoint soon.

It is with great pleasure to announce that our pound station continues to be operational. Since its operationalization, a considerable number of stray animals have been impounded and this has contributed to alleviating accidents in our roads. We want to take this opportunity to applause our hard working officials who ensure that this work is done on a daily basis. In the light of this, I would like to explore our officials to continue to rid the CBD, our roads and the Townships of all stray animals.

I am greatly pleased to announce that our Driver's Licence Testing Centre has been upgraded to a Grade A and we are now able to test even the Motor cycles. We therefore assure our communities that we will continue to provide quality services to them.

Sport, Art and Culture

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 cricket teams will be supported during the financial year under review.
- The Giyani Stadium has been upgraded to a status where it can host soccer games of the Premier Soccer League status.
- We successfully hosted 14th MLFM Xitsonga Music Awards and conversations are underway to adopt the MLFM Xitsonga Music Awards as an annual event hosted by the Municipality.
- We successfully hosted arts and culture festival and indigenous games, programmes that seek to encourage and support community members to pride in their culture.

Environment and Waste Management

We continue to render refuse removal services to our communities. However, it should be noted that our efforts are hampered by some sections of our residents who continue to dump illegally in prohibited areas.

I am pleased to announce that the development of the new landfill site has been advertised and construction should commence in the first quarter of 2017/18.

Moreover, budget has been set aside in the next financial year (2017/18) for the development of the new landfill site as well as the rehabilitation of the current waste disposal site. This will also fast track the operationalization of the buyback centre, which will give birth to new business opportunities for the recycling sector.

On behalf of the municipality I want to seize this opportunity to appreciate the work done by volunteers in many villages who volunteer to clean their communities, the same goes to those under the community works programme (CWP). Keep the good work up.

Disaster Management

I have pleasure to announce that we have coordinated the construction of disaster relief housing in households severely affected by disasters. To this end, 106 houses have been completed scattered in different villages in the Municipality and, the disaster relief housing programme is still continuing.

Furthermore, the municipality has and continues to efficiently respond to isolated disaster incidents by providing emergency relief to the victims in the form of emergency medical assistance, emergency shelter, providing food parcels and life essentials.

We have also reacted well to the recent malaria disaster incidences that resulted in a record high of patients admission at Nkhensani Hospital. We have provided relief tents, 40 mattresses with blankets that assisted alleviate the shortage of patients admission space during the time.

We have recently developed a disaster management plan and Council has approved it. The plan provides a framework for the disaster management function of the municipality, both from a disaster risk reduction and disaster response perspective.

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

As council, we have started the IDP review process after adopting the process plan, as required by the municipal systems act. It is my pleasure to indicate that we have already completed the analysis phase of the IDP, which has clearly indicated where from and where to, as a municipality.

To further strengthen our internal systems in order to achieve our service delivery mandate, the municipality have filled two senior positions of Chief Financial Officer and Director Corporate Services. Meanwhile, candidates for the position of a Director Community Services have been interviewed. The position of the Director for Planning and Development has been re-advertised.

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

To this end, council will stop at nothing in ensuring that all key positions including that of the municipal manager are filled.

AUDIT

We are happy to report that the progress made thus far is promising. This, mindful of the fact that for three consecutive financial years namely 2013/14, 2014/15 and 2015/16 we received qualified audit report.

What is more encouraging though, about our quest to attain clean audit is the fact that every year we manage to reduce the number of issues as raised by the Auditor General.

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). Regulation 17 (MBRR) 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 **2017/18** amount to R369 **336 970**.

(1) THE ANNUAL BUDGET CONSISTS OF THE FOLLOWING:-

a)	Capital projects budget	R 108 702 077
b)	Capital acquisitions (assets)	R 4 321 480
c)	Employees Related Costs	R133 872 946
d)	Remunerations of Councillors	R20 646 485
e)	Programmes	R 21 584 000
f)	Repairs and maintenance	R 19 800 000
g)	General expenses	R 60 409 982
d)	**Total Expenditure**	**R369 336 970**
	Funded as follows:	
e)	Grants & Subsidies	R323 193 000
f)	Municipal own revenue	R46 143 970
g)	**Total Revenue**	**R369 336 970**

It is now my honour to formally table the **final 2017/2018 IDP, and MTREF BUDGET FOR 2017/18 FINANCIAL YEAR AND THE TWO OUTER YEARS 2018/19/2019/20 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 26 May 2017 the Council of Greater Giyani Local Municipality met in the Giyani Community Hall to consider the approved budget of the municipality for the financial year 2017/18. 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 2017/18 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

	26/05/2017
CLLR M P HLUNGWANI	**DATE**

MAYOR

	26/05/2017
CLLR S S MATHEBULA	**DATE**

COUNCILLOR FOR FINANCE

	26/05/2017
CLLR K A MANGANYI	**DATE**

1.3 Executive Summary

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 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 2017/18 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2017/18MTREF:

- The 2016/17 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 2017/18 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 2017/18 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2017/18 MTREF

R thousand	Adjustments Budget 2016/17	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Total Operating Revenue	306,562	302,601	318,732	333,670
Total Operating Expenditure	281,924	301,313	346,798	363,652
(Surplus)/Deficit for the year	24,638	1,288	-28,065	-29,982
Total Capital Expenditure	157,018	113,024	132,276	125,004

Total operating revenue has gone down by 1.31 per cent or R3, 961 million for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 5.33 and 4.69 per cent respectively.

Total operating expenditure for the 2017/18 financial year has been appropriated at R301.3 million and translates into a budgeted surplus of R1,2 million. When compared to the 2016/17 Adjustments Budget, operational expenditure has grown by 6,88per cent in the 2017/18 budget and by 15.09 and 4.86 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to –R28 million and then stabilise at –R29,9 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R113 million for 2017/18 is 28.02 per cent less when compared to the 2016/17 Adjustment Budget. The capital programme increases to R132, 2 million in the 2018/19 financial year and then evens out in 2019/20 to R125 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 2017/18 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)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 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 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	27 156	28 668	30 676	34 000	30 000	30 000	30 000	30 000	31 710	33 486
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	3 831	3 953	4 237	4 200	4 300	4 300	4 300	4 300	4 545	4 800
Service charges - other											
Rental of facilities and equipment		839	840	880	799	686	686	686	868	922	977
Interest earned - external investments		5 784	14 894	13 401	11 500	11 500	11 500	11 500	11 776	12 447	13 144
Interest earned - outstanding debtors		7 293		8 473	5 000	5 000	5 000	5 000	5 000	5 285	5 581
Dividends received											
Fines, penalties and forfeits		71	91	93	47	100	100	100	100	106	112
Licences and permits		3 683	4 499	5 174	7 200	7 200	7 200	7 200	7 300	7 716	8 148
Agency services		325	245	285	300	300	300	300	–	–	–
Transfers and subsidies		151 385	175 399	226 341	222 636	222 636	222 636	222 636	241 457	254 099	265 413
Other revenue	2	1 222	1 547	1 162	18 853	24 840	24 840	24 840	1 800	1 903	2 009
Gains on disposal of PPE			427								
Total Revenue (excluding capital transfers and contributions)		**201 588**	**230 564**	**290 722**	**304 535**	**306 562**	**306 562**	**306 562**	**302 601**	**318 732**	**333 670**

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 2016/17 financial year, revenue from rates and services charges totalled R30 million. This stabilises at R30 million in 2017/2018, and increase to R31,7 in 2018/2019 and R33,4 million in 2019/2020.

Operating grants and transfers totals R241, 4 million in the 2017/18 financial year and steadily increases to R265, 4 million by 2019/20.

Table 3 Operating Transfers and Grant Receipts

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		**151 097**	**175 561**	**226 158**	**222 276**	**222 276**	**222 276**	**241 087**	**253 729**	**265 013**
Local Government Equitable Share		147 657	171 547	221 972	219 308	219 308	219 308	234 578	251 584	262 868
Finance Management		1 550	1 600	1 675	1 810	1 810	1 810	2 145	2 145	2 145
Municipal Systems Improvement		890	934	930	–	–	–	–		
EPWP Incentive		1 000	1 480	1 581	1 158	1 158	1 158	4 364	–	–
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		**288**	**377**	**184**	**360**	**360**	**360**	**370**	**370**	**400**
LGSETA		120	377	184	360	360	360	370	370	400
LEDET & SUNDRY GRANTS		168								
Total Operating Transfers and Grants	5	**151 385**	**175 938**	**226 341**	**222 636**	**222 636**	**222 636**	**241 457**	**254 099**	**265 413**

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 6.4 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 2017/18 financial year

Category	Current Tariff (1 July 2016)	Proposed tariff (from 1 July 2017)
	c	C
Residential properties	0,006	0,0063
State owned properties	0,039	0,042
Business & Commercial	0,024	0,025
Churches	0,012	0,012

The following table compares current and proposed amounts payable from 1 July 2017:

Table 5 Comparison between current waste removal fees and increases

Description	Current tariffs 2016/17	Proposed tariffs 2017/18
Refuse Removal daily collection	R2 493, 92	R2 653, 53
Refuse removal Businesses	R1 683, 93 per month	R1 791, 70 per month
Refuse removal government	R1 683, 93per month	R1 791, 70 per month
Refuse removal residential	R31,57 per month	R33 , 59 per month
Refuse removal indigent	Free	Free

1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2017/18 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 2017/18 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	89 400	94 202	108 057	122 279	115 181	115 181	115 181	133 873	141 494	149 375
Remuneration of councillors		16 980	18 573	18 274	19 524	18 775	18 775	18 775	20 646	21 823	23 045
Debt impairment	3	28 450	(45 410)	7 246	20 000	15 000	15 000	15 000	15 000	20 000	20 000
Depreciation & asset impairment	2	22 503	14 406	20 362	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Finance charges					550	700	700	700	770	847	932
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8	14 690	7 889	25 777	7 660	9 470	9 470	9 470	8 800	14 800	15 070
Contracted services		427	214	301	12 480	14 460	14 460	14 460	13 450	22 400	27 500
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	47 458	66 998	112 811	74 067	78 339	78 339	78 339	78 773	95 433	97 730
Loss on disposal of PPE											
Total Expenditure		**219 907**	**156 872**	**292 828**	**286 560**	**281 924**	**281 924**	**281 924**	**301 313**	**346 798**	**363 652**

The budgeted allocation for employee related costs for the 2017/18 financial year totals R133, 8 million, which equals 44.43 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.4 per cent for the 2017/18 financial year. An annual increase of 5.7 per cent and 5,6 per cent have 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 2017/18 financial year this amount equates to R15 million and increase to R20 million by 2019/20. 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 2017/18 financial and equates to 9.96 per cent of the total operating expenditure.

Finance charges consist primarily of the bank charges. Finance charges make up 0.25 per cent (R770 thousand) of operating expenditure.

Other materials comprise of amongst others the materials for maintenance, cleaning materials and chemicals. For 2017/18 the appropriation against this group of expenditure has went down by 7,07per cent (R670 thousands) and continues to grow at 68.18 and 1.82 per cent for the two outer years.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. For 2017/18 this expenditure increases by 0, 55 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 2017/18 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		14 690	7 889	25 777	7 660	9 470	9 470	9 470	8 800	14 800	15 070
Contracted Services					10 000	12 300	12 300	12 300	11 000	20 000	25 000
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	14 690	7 889	25 777	17 660	21 770	21 770	21 770	19 800	34 800	40 070

During the compilation of the 2017/18 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 2017/18 equates to R19.8 million and continues to grow to 51, 41 by 2019/20. In relation to the total operating expenditure, repairs and maintenance comprises of 6.57, 10.03 and 11.02 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 2017/18 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 2017/18 Medium-term capital budget per vote

Capital Expenditure - Functional											
Governance and administration		**14 384**	**9 518**	**973**	**28 441**	**26 031**	**26 031**	**26 031**	**12 428**	**11 270**	**11 470**
Executive and council			2	488	100	100	100	100	100	100	100
Finance and administration		14 384	9 516	485	28 341	25 931	25 931	25 931	12 328	11 170	11 370
Internal audit											
Community and public safety		**5 625**	**19 144**	**41 134**	**31 436**	**37 335**	**37 335**	**37 335**	**43 305**	**60 500**	**33 018**
Community and social services		3 094	9 361	18 889	23 436	25 255	25 255	25 255	18 950	46 000	27 018
Sport and recreation		2 531	9 783	22 244	8 000	12 080	12 080	12 080	24 355	14 500	6 000
Public safety											
Housing											
Health											
Economic and environmental services		**50 817**	**59 823**	**20 734**	**40 600**	**64 081**	**64 081**	**64 081**	**35 790**	**39 006**	**69 016**
Planning and development		4 543	778		1 600	3 600	3 600	3 600	900	–	–
Road transport		46 274	59 045	20 734	39 000	60 481	60 481	60 481	34 890	39 006	69 016
Environmental protection											
Trading services		**–**	**–**	**1 097**	**12 400**	**29 571**	**29 571**	**29 571**	**21 500**	**21 500**	**11 500**
Energy sources				1 097	12 400	29 571	29 571	29 571	21 500	21 500	11 500
Water management											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	**70 826**	**88 485**	**63 937**	**112 877**	**157 018**	**157 018**	**157 018**	**113 024**	**132 276**	**125 004**

Transport and roads receives the highest allocation of R34, 8 million in 2017/18 which equates to 30.86 per cent of the total capital budget. Electricity infrastructure is at 19 per cent, R21,5 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. Approved 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 2017/18 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 2017/18, 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 R384,3 million in 2017/18 and escalates to R412,6 million by 2019/20. This represents a year-on-year increase of 2.49 per cent for the 2018/29 financial year and 4.75 per cent for the 2019/20 financial year.
2. Revenue to be generated from property rates is R30 million in the 2017/18 financial year and stable at R33 million by 2019/20 which represents 7,99 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. Tariff increases have been factored in at 5, 7 per cent and 5.6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R4.3 million for the 2017/18 financial year and increasing to R4.8 million by 2019/20. For the 2017/18 financial year services charges amount to 1, 11 per cent of the total revenue base and grows by 1, 16 per cent per annum over the medium-term.

1. 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 8.45 per cent for 2017/18 financial year, 5, 24 per cent and 4, 45 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 2017/18 has been allocated of the total R113 million capital budgets. This allocation escalates to R132, 2million in 2018/19 and R125 million in 2019/20.

3. Single-year capital expenditure has been appropriated at R5 million for the 2017/18 financial year and remains relatively constant over the MTREF at levels of R14.2 million and R12.4 million respectively for the two outer years.

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

5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2017/18, capital transfers totals R81.7 million and flattens to R78.9 million by 2019/20.

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 2017/18 MTREF provide for a further net increase in cash of R2,2 million for the 2017/18 financial year resulting in an overall projected position cash position of R122,2 million at year end.
4. As part of the 2016/17 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 2016/17 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R176.3 million as at the end of the 2016/17 financial year and decrease to R122, 2 million by 2017/18.

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 2017/18 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. Water services – These households are largely found in 'reception areas' and will need to be moved to formal areas so that they can receive services.
    b. Sanitation services – The number of households with no toilet provision will be reduced to 20 046 households in 2017/18.
    c. Electricity services – Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 69 000 households budgeted to be electrified in 2017/18.
    d. Refuse services – backlog will be reduced by 60 456 households in 2017/18 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.

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 2016) 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 30 August 2016. Key dates applicable to the process were:

August 2016

- 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 2017/2018 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

October 2016

- 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 2016

- 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 2017

- 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 2015/16 and all prior years.
- Assess municipal performance for the first 6 months of 2016/17 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2016/17 adjustment budget.

March 2017

- 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 2017

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

May 2017

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2017/18.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The approved 2017/18 MTREF budget and IDP were approved before council on 26 May 2017.

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 2017/18 MTREF, based on the approved 2016/17 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 2017/18 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 2016/17 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 2017/18 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 2017/18 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 2016/17 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 85 and 86 has been taken into consideration in the planning and prioritisation process.

2.2. Overview of alignment of approved 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 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal Approved IDP for 2017/2018 financial year is attached as **ANNEXURE B.**

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

- Budget Policy – **ANNEXURE C**
- Indigent Policy - **ANNEXURE D**
- Fleet Management Policy - **ANNEXURE E**
- Asset Management Policy - **ANNEXURE F**
- Property Rates Policy - **ANNEXURE G**
- Property Rates by law - **ANNEXURE H**
- Credit control Policy – **ANNEXURE I**
- Credit control and debt collection by law - **ANNEXURE J**
- Revenue enhancement strategy - **ANNEXURE K**
- Cash and investment Management Policy - **ANNEXURE L**
- Virement policy - **ANNEXURE M**
- Car Allowance Policy - **ANNEXURE N**
- Subsistence & Travel Policy - **ANNEXURE O**
- Recruitment Policy - **ANNEXURE P**
- Telecommunication Policy - **ANNEXURE Q**
- Remuneration Policy - **ANNEXURE R**
- Organisational Structure **– ANNEXURE S**

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 2016 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 R323M, 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 6,4 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 6.4 per cent but on SA22 it’s shows 15, 4 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, three 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 2015/16 Medium-term capital budget per vote

Capital Expenditure - Functional											
Governance and administration		14 384	9 518	973	28 441	26 031	26 031	26 031	12 428	11 270	11 470
Executive and council			2	488	100	100	100	100	100	100	100
Finance and administration		14 384	9 516	485	28 341	25 931	25 931	25 931	12 328	11 170	11 370
Internal audit											
Community and public safety		5 625	19 144	41 134	31 436	37 335	37 335	37 335	43 305	60 500	33 018
Community and social services		3 094	9 361	18 889	23 436	25 255	25 255	25 255	18 950	46 000	27 018
Sport and recreation		2 531	9 783	22 244	8 000	12 080	12 080	12 080	24 355	14 500	6 000
Public safety											
Housing											
Health											
Economic and environmental services		50 817	59 823	20 734	40 600	64 081	64 081	64 081	35 790	39 006	69 016
Planning and development		4 543	778		1 600	3 600	3 600	3 600	900	–	–
Road transport		46 274	59 045	20 734	39 000	60 481	60 481	60 481	34 890	39 006	69 016
Environmental protection											
Trading services		–	–	1 097	12 400	29 571	29 571	29 571	21 500	21 500	11 500
Energy sources				1 097	12 400	29 571	29 571	29 571	21 500	21 500	11 500
Water management											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	**70 826**	**88 485**	**63 937**	**112 877**	**157 018**	**157 018**	**157 018**	**113 024**	**132 276**	**125 004**

Transport and roads receives the highest allocation of R34,8 million in 2017/18 which equates to 30,87 per cent of the total capital budget. Electricity infrastructure is at 19.02 per cent, R21,5 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, d, 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 and one is appointed to Internal Audit and one is appointed to Risk office 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 have established its own Audit Committee.

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 SA38.

The tariffs structure for 2017/2018 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, **RISIMATI HITLER MALULEKE**, acting 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.

_____________________ _____________________

R H Maluleke **Date**
Acting Municipal Manager:
Greater Giyani Municipality
LIM 331