

SCHEDULE A

**DRAFT ANNUAL BUDGET AND
SUPPORTING DOCUMENTATION
GREATER LETABA MUNICIPALITY**

DRAFT ANNUAL BUDGET OF
GREATER LETABA
MUNICIPALITY

2013/2014 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

Copies of this document can be viewed:

- **In the main office and sub-offices of all municipal buildings**
- **All public libraries within the municipality**
- **At www.greaterletaba.gov.za**

Table of Contents

ANNEXURE	ERROR! BOOKMARK NOT DEFINED.
PART 1 – ANNUAL BUDGET	1
1.1 MAYOR’S REPORT	1
1.2 COUNCIL RESOLUTIONS	2
1.3 EXECUTIVE SUMMARY	2
1.4 OPERATING REVENUE FRAMEWORK.....	4
1.5 OPERATING EXPENDITURE FRAMEWORK.....	6
1.6 CAPITAL EXPENDITURE	7
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY.....	9
PART 2 – SUPPORTING DOCUMENTATION	13
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS.....	13
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	15
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	16
2.4 OVERVIEW OF BUDGET RELATED-POLICIES.....	17
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	19
2.6 OVERVIEW OF BUDGET FUNDING	20
2.7 MUNICIPAL MANAGER’S QUALITY CERTIFICATE	20

Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative	ℓ	litre
BC	Budget Committee	LED	Local Economic Development
CFO	Chief Financial Officer	EXCO	Executive Committee
MM	Municipal Manager	MFMA	Municipal Financial Management Act
CPI	Consumer Price Index	MIG	Municipal Infrastructure Grant
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
FBS	Free basic services	NERSA	National Electricity Municipality Regulator South Africa
GDP	Gross domestic product	NKPIs	National Key Performance Indicators
GFS	Government Financial Statistics	OP	Operational Plan
GRAP	General Recognised Accounting Practice	PMS	Performance Management System
IDP	Integrated Development Plan	PPE	Property Plant and Equipment
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SDBIP	Service Delivery Budget Implementation Plan
km	kilometre	SMME	Small Micro and Medium Enterprises
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		

1 Part 1 – Draft Annual Budget

1.1 Mayor’s Report

It is my honour and privilege to present the 2013/2014 Draft Medium Term Revenue Expenditure Framework budget.

As a nation, as a community of Greater Letaba Municipality and a people elected as councillors to serve the community of Greater Letaba Municipality, we must be happy and excited to continue presenting a budget that talks the language of our community.

We need to be proud of our achievements since our establishment as Greater Letaba Municipality. Our Draft Budget is derived from the mandate given by our constitution as local government that of providing sustainable services to our community.

We therefore need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The municipality has budget a total operating revenue of R269 million (excluding capital grants) and total operating expenditure of R151 million as shown on tables A2 to A4).

The total budget for capital expenditure is R166 million of which R47 million will be done as a multiyear projects and the remaining R119 million been a single year projects. R47 million of capital spending will be funded from MIG and the remaining R119 million will be funded from own revenue as shown on table A5.

Our roads takes and will remain taking a huge portion of the capital budget spending, as roads is priority number one under our functions as local municipality and total capital amount to be spend is R76 million for the financial year 2013/2014.

In encouraging that our children, ourselves and everybody must participate in sport, a budget of R30 million has been put aside for the construction of new sports field and the rehabilitation and construction of other facilities in the existing stadia.

The dignity of our fellow Africans has been restored in all the villages that we constructed roads and VIP toilets through Mopani District Municipality and the building of houses through the Department of Cooperative Governance and Traditional Affairs.

The details of some of the projects to be implemented will be outlined under executive summary.

The application of sound financial management principles for the compilation of the Municipality’s financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

In doing so, we also need an increased working relationship as Water Service Authority and the locals as Water Service Providers.

1.2 Council Resolutions

Council of Greater Letaba Municipality meets to consider the annual budget of the municipality for the financial year 2013/2014. The Council considers and notes the following resolutions:

1. The Council of Greater Letaba 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 2013/2014 and the multi-year and single-year capital appropriations as set out in table A1 to A10.
 - 1.1.1. A1: Budget Summary
 - 1.1.2. A2: Budgeted Financial Performance (revenue and expenditure by standard classification).
 - 1.1.3. A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.4. A4: Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.5. A5: Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
 - 1.1.6. A6: Budgeted financial position
 - 1.1.7. A7: Budget Cash flow
 - 1.1.8. A8: Cash backed reserves/accumulated surplus reconciliation
 - 1.1.9. A9: Asset Management
 - 1.1.10. A10: Basic Service Delivery measurement
2. The Council of Greater Letaba Municipality meets on 28 March 2013 to consider and note the following budget related policies
 - 2.1. the tariffs policy
 - 2.2. the indigent policy
 - 2.3. the budget policy
 - 2.4. the investment policy
 - 2.5. the Supply chain Management policy
 - 2.6. Asset management policy
 - 2.7. The Credit control policy
 - 2.8. The Property rates policy
 - 2.9. The Principles and Policy on the writing off of irrecoverable debts
3. The Council of Greater Letaba Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) met on 28 March 2013 to note the tariffs for electricity, refuse removal and other services.

1.3 Executive Summary

The Greater Letaba Municipality has during August 2012 approved a time schedule outlining the key deadlines in terms of the preparation of both IDP and budget for the 2013/2014 financial year. In reminding ourselves about the objectives of the Municipal Finance Management Act, the application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the Greater Letaba Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

National Treasury's MFMA Circular No. 51, 54, 55,58,59,66 and 67 were used to guide the compilation of the 2013/2014 MTREF.

The main challenges experienced during the compilation of the 2013/2014 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water infrastructure;
- The need to reprioritise projects and expenditure within the existing available resources given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity Municipality (due to tariff increases from Lepelle Northern Water and Eskom), which is placing upward pressure on service tariffs to residents.
- Affordability of capital projects considering that the municipality is predominantly rural with no infrastructure.

Our budget was informed amongst others by the following:

- The 2012/13 Adjustments Budget priorities and targets,
- Tariff 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, for instance the cost of bulk water and electricity.
- Ensuring that service delivery and capital projects use labour intensive methods;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme; and
- Implementing interns programmes to provide young people with on the job training.

The table below gives an overview of the Greater Letaba Municipality 2013/2014 budget

Table 1 Consolidated Overview of the 2013/2014 MTREF

R Thousand	Budget Year 2013/2014	Budget Year 2014/2015	Budget Year 2015/2016
Total Operating Revenue	269 211 000	270 176 000	291 276 000
Total Operating Expenditure	150 578 000	158 709 000	167 280 000
Surplus Deficit	118 633 000	111 466 000	123 977 000
Total Capital Expenditure	46 950 000	53 480 000	57 511 000
Total Capital Expenditure	165 583 000	164 946 000	181 508 000

Total revenue budget is mainly represented by operating grant and subsidies of R150 million (including equitable share) and MIG allocations amounting to R47 million for the 2013/2014 financial year.

Revenue from the payment of services by ratepayers amounts to R81 million for the financial year 2013/2014 with other revenue from other services amounting to almost R7 million. Refer to table A7 (budgeted cash flows).

Included in the operating expenditure of R151 million for operating expenditure is an amount of R9.3 million for depreciation (depreciation and asset impairment on table A1) which represent a non cash item for the financial year 2013/2014.

Repairs and maintenance which forms part of operating budget amounts to R4.9 million with bulk purchases for electricity amounting to R12.5 million for the financial year 2013/2014.

Salaries and allowances amount to R58.5 million and remuneration of councillors' amounts to R16.4 million. Refer to table A1 (Budget Summary).

Capital expenditure amounts to R165 million and funded from both grant and internal funding.

1.4 Operating Revenue Framework

The municipality derives its revenue mainly from grants and subsidies.

The following table is a summary of the 2013/2014 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2013/2014 FY	2014/2015 FY	2015/2016 FY
Equitable share	146 418 000	167 647 000	155 233 000
MIG	46 950 000	53 480 000	57 511 000
EPWP	1 198 000	0	0
FMG	1 550 000	1 600 000	1 650 000
MSIG	890 000	934 000	967 000
Service charges	32 093 000	33 826 000	35 653 000
Other income	87 062 000	66 169 000	97 773 000
Total Revenue	316 161 000	323 656 000	348 787 000

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.

1.4.1 Sale of Water and Impact of Tariff Increases

- Greater Letaba Municipality has been appointed Water Services Provider by Mopani District Municipality and responsible for billing and collection. Greater Letaba Municipality receives 5% agency fee for any money collected on behalf of the district.
- Tariff charges for water are determined by the Mopani District Municipality.

1.4.2 Sanitation and Impact of Tariff Increases

- Greater Letaba Municipality has been appointed Water Services Provider by Mopani District Municipality and responsible for billing and collection. Greater Letaba Municipality receives 5% agency fee for any money collected on behalf of the district.
- Tariff charges for sanitation charges are determined by the Mopani District Municipality.

1.4.3 Overall impact of tariff increases on households

- The overall tariffs increase for the financial year 2013/2014 is 8%. Households that cannot afford payment of services are registered as indigents and receive free basic services.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/2014 budget and MTREF is informed by the following:

- The asset renewal strategy;
- 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 2013/2014 budget and MTREF (classified per main type of operating expenditure):

Table 3 Summary of operating expenditure by standard classification item

<u>Expenditure By Type</u>	2012/2013	Percentage	2013/14	2014/15
Employee related costs	58 525 000	38.9	62 271 000	65 633 000
Remuneration of councillors	16 359 000	10.9	17 406 000	18 346 000
Depreciation & asset impairment	9 462 000	6.3	9 973 000	10 512 000
Finance charges	1 985 000	1.3	2 092 000	2 205 000
Bulk purchases	12 478 000	8.3	13 477 000	14 555 000
Other expenditure	51 769 000	34.3	53 492 000	56 029 000
Loss on disposal of PPE				
Total Operating Expenditure	150 578 000	100	158709 000	167 280 000

The budgeted allocation for employee related costs for the 2013/2014 financial year totals R58.5 million, which equals 38.9 per cent of the total operating expenditure and 29.6 of the total budget (including capital expenditure).

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 and the adjustment in the equitable share allocation in this regard have been taken into account in compiling the municipality's budget.

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. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.5.1 Priority given to repairs and maintenance

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.

1.5.2 Free Basic Services: Basic Social Services Package

Greater Letaba Municipality provides as part of its basic social services package both free basic water of 6kl, free sanitation, free refuse removal, free payment for property rates for all indigent households per month.

1.6 Capital expenditure

The total capital budget for the 2013/2014 financial year amounts to R165 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.

The following are some of the capital expenditure projects to be implemented in the 2013/2014 financial year:

Rotterdam Community Hall	: R2 400 000
Ga-Kgapane Park	: R2 600 000
Transfer stations	: R1 800 000
Ga-Kgapane – Stadium bridge	: R5 800 000
Shawela Graveyard bridge	: R5 200 000
Graders (2)	: R5 400 000
Outdoor gyms (Kgapane, Modjadjiskloof and Senwamokgope	: R1 500 000
NER Compliance	: R1 200 000
Kgapane stadium	: R1 000 000
Lebaka sports complex	: R9 320 000
Sekgopo sports complex	: R12 020 000
Shaamiriri sports complex	: R7 890 000

As a continuing fighting against crime, the following Highmast and streetlights will be constructed in the financial year 2013/2014.

Moroatshehla Highmast	: R600 000
Phooko Highmast	: R600 000
Maapana Highmast	: R600 000
Shamfana Highmast	: R600 000
Mmamokgadi Highmast	: R600 000
Malematja Highmast	: R600 000
Mamphakhathi Highmast	: R600 000
Thakgalane Highmast	: R600 000

In continuation of our tradition of our famous paving of roads, the following projects will be planned and constructed in the financial year 2013/2014 and the two outer years:

Jamela street paving	: R3 600 000
Ga-Kgapane street upgrades	: R 500 000
Modjadjiskloof streets rehabilitation	: R2 000 000
Sefofotse street paving	: R3 600 000
Rotterdam (Duvula)	: R3 200 000
Mamaila Kolobetona	: R3 200 000
Rotterdam (Mahontsi)	: R2 000 000
Hill & Kerk Streets	: R2 800 000
Senwamokgope street paving	: R 500 000
Medigen Street Paving	: R5 500 000
Matswi Street Paving	: R4 600 000
Kuranta street upgrades	: R 400 000
Thakgalane street paving	: R5 400 000
Rapitsi Street paving	: R1 800 000
Sekgopo street paving	: R2 700 000
Mokgoba street upgrades	: R 400 000

Modjadji Valley Streets	: R 400 000
Mandela Park road	: R3 600 000
Modjadji Head Kraal	: R4 900 000
Mamaila Phaphadi	: R 450 000
Mothobekgi Paving	: R 450 000
Phooko Head Kraal Paving	: R 320 000
Raphahlelo Head Kraal Paving	: R 450 000
Ga-Kgapane Sidewalks	: R2 500 000
Access Road to Mokwakwaila Taxi Rank	: R3 100 000
Modjadjiskloof Gabion	: R1 000 000

In addition to the projects, for water and sanitation projects to be implemented in the Greater Letaba Municipality are reflected in the IDP document>

1.6.1 Future operational cost of new infrastructure

The infrastructure development done is mainly in the rural areas and presently there is no revenue collection done at these areas hence no operational cost of new infrastructure.

1.7 Annual Budget Tables – Greater Letaba Municipality

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 2013/2014 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

1.7.1. Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's 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. 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.

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

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

1.7.2. 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.

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

Total revenue excluding capital transfers is R269 million in 2013/2014, R270 million and R291 million in 2014/15 and 2015/2016 respectively. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.

The main component of the total revenue is grant and subsidies amounting to R150 million, R170 million and R212 million for the financial years 2013/2014, 2014/2015 and 2015/2016 respectively.

1.7.5. Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 is a breakdown of the capital program 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.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2013/2014 R47 million has been allocated. This allocation escalates to R53 million in 2014/15 and then escalates again to R58 million in 2015/16 owing primarily to the fact that various projects reach completion in 2013/14 hence the spike in expenditure in year two.

1.7.6. Explanatory notes to Table A6 - Budgeted Financial Position

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).

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.

Table SA3 provides a detailed analysis of the major components of budgeted financial position items, including:

- Property, plant and equipment;
- Trade and other payables;
- Changes in net assets; and

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.

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.

1.7.7. Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

1.7.8. Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

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.

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”.

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

As indicated in Table SA 10, the Greater Letaba Municipality’s budget is fully funded for the 2013/2014 financial year.

1.7.9. Explanatory notes to Table A9 - Asset Management

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. An amount of R148 million will be spend on new assets in the 2013/2014 financial year while an amount of R17 million will be spend on renewal of existing assets.

1.7.10. Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

As indicated in the Mayor's Report, the Municipality continues to make good progress with the eradication of backlogs.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual 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 Head of Finance Portfolio Committee.

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's 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 2010) 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 August 2012. Key dates applicable to the process were:

- **22 to 24 November 2012** – Strategic planning session took place at Orion Makgobaskloof Hotel. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/2013 MTREF;
- **25 January 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2013** – Multi-year budget proposals are submitted.
- **25 January 2013** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **25 February 2013** – Adjustments budget is approved

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's 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 IDP has been taken into a business and financial planning process leading up to the 2013/2014 MTREF, based on the approved 2012/13 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 2013/2014 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 2012/13 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 2013/2014 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 2013/2014 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
 - Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2012/13 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities

- 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 51, 54, 58, 59, 66 and 67 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2013/2014 MTREF as tabled before, community consultation will start on the 5 May and ends on the 20 May for approval of the budget on or before 31 May 2013.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with IDP

The IDP is informed by the consultation process with the community through community public participation process. Priorities are identified and reprioritized taking into consideration the need to satisfy the basic needs of the community.

This is costed annually through the Medium Term Revenue Expenditure Framework taking into account the availability of funds and the need to provide sustainable basic services.

The IDP has been guided amongst others by the following:

- 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.
- Limpopo employment, Growth and Development plan

2.3 Measurable performance objectives and indicators

The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual directors' performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monthly Monitoring monitoring and checking on the progress against plan;
- Identifying areas requiring change and improvement;
- Quarterly reporting to council
- Making changes where necessary.

2.3.1 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

All qualifying indigent's households receive 6 kl per month of free basic water, free sanitation, free refuse removal, no payment of property rates and free burial as per indigent policy of the municipality.

2.3.2. Providing clean water and managing waste water

In terms of the 2010/2011 financial year performance with regard to the provision of water is that all schemes in the district that are run by Lepelle Northern Water, have a blue drop status. The schemes that are run by the Mopani District Municipality had status of between 20 and 30 percent in the 2010/2011 financial year.

2.4 Overview of budget related-policies

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

2.4.1 Review of credit control and debt collection procedures/policies

The Credit control and debt collection is currently under review.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

The Asset Management, Infrastructure and Funding Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. The policy has been adopted by council on 31 March 2012.

2.4.3 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. The policy was approved by council in 31 March 2012.

2.4.4 Supply Chain Management Policy

The goal of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within the Greater Letaba Municipality, whilst promoting black economic empowerment.

The Supply Chain Management Policy has been reviewed and comments were also sought from Provincial Treasury. The policy has been adopted by council on 31 March 2012.

2.4.5 Cash Management and Investment Policy

The purpose of this policy is to secure the sound and sustainable management of Greater Letaba Municipality's surplus cash and investments.

The Municipality's Cash Management and Investment Policy has been adopted by council on 31 March 2012.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

The policy has been adopted by council on 31 March 2012.

2.4.7 Indigent policy

The indigent policy seeks to balance the immediate needs of the poor population to have access to affordable basic services with the long term implications of failure to implement remedial measures coupled with the provision of affordable services to indigents in a financially viable manner.

The policy has been reviewed and is submitted to council for approval and adoption.

2.4.8 Writing off of bad debts

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

The policy has been adopted by council during 2011/2012 financial year.

2.4.9 Virement policy

The purpose of this policy is to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

The policy has been adopted by council during 2011/2012 financial year.

2.5 Overview of budget assumptions

2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2013/2014 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and Businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity Municipality and water; and
- The increase in the cost of remuneration.

2.5.3 Collection rate for revenue services

The debt impairment as indicated in the budget seeks to indicate that more efforts need to be put in the collection process. The Revenue Enhancement Strategy of the municipality has been reviewed and is on implementation stage and this will enhance revenue collection.

2.5.4 Growth or decline in tax base of the municipality

Debtors revenue are assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

2.5.5 Salary increases

The guideline from National Treasury has been used in determine salary increases.

2.5.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;

- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

The municipality's infrastructure projects are labour intensive.

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2013/2014 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

Table A4 is a breakdown of the operating revenue over the medium-term.

2.7 Municipal manager's quality certificate

I **Mashaba T.G**, Municipal Manager of Greater Letaba Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mashaba T.G

Municipal Manager of Greater Letaba Municipality

Signature _____

Date _____