

**SCHEDULE A**

**ANNUAL BUDGET AND**

**SUPPORTING DOCUMENTATION**

**GREATER LETABA MUNICIPALITY**

**ANNUAL BUDGET OF**  
**GREATER LETABA**  
**MUNICIPALITY**

**2014/2015 TO 2016/2017**  
**MEDIUM TERM REVENUE AND**  
**EXPENDITURE FORECASTS**

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- **In the main office and sub-offices of all municipal buildings**
- **All public libraries within the municipality**
- **At [www.greaterletaba.gov.za](http://www.greaterletaba.gov.za)**

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## 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 – Annual Budget

### 1.1 Mayor’s Report

In compliance with the Municipal System Act 32 of 2000, It is my honour and privilege to present the 2014/2015 Medium Term Revenue Expenditure Framework budget which has been put together to fulfil the mandate that we, as local government have been given by our community to create a better life for our people and to enhance the living conditions of our community and its members.

As Greater Letaba Municipality, we take pride in improving the lives of our communities. We therefore continue to carry out core mandates commendably, through our service delivery mechanisms. Our 2014/15 MTREF is geared towards accelerating service delivery, eliminating poverty and redressing the imbalances of the past.

In 2013/14 financial year, our municipality had a total operating budget of R269 million (excluding capital grants) and a total expenditure of R151 million. In this financial year (2014/15), our total operating revenue budget will be R277 million (excluding capital grants), and a total operating expenditure of R164m. The total budget estimated for capital expenditure is R165.9 million. From this allocation, R112.5 million will be funded from our own revenue and R53.4 million will be funded from Municipal Infrastructure Grant (MIG). This allocation will be spent on public facilities which include: Community Hall, youth information centres, sports complexes, Outdoor gymnasiums, old age facilities, etc.

In ensuring that our municipality is accessible and attractive as a tourism destination, we prioritised road infrastructure. We have budgeted for an amount of R93.5 million for the rehabilitation, paving and maintenance of road infrastructure for the 2014/2015 financial year.

A budget of R18.2 million has been allocated for additional sporting facilities in our rural villages for the coming two years. These facilities will be revamped and improved to take them user friendly for the community, youth in particular. These facilities will strive to promote a healthy life style for all, and also endeavour to curb other social ills within the year.

Due to improve globe connectivity and to create an informed society, we have a total budget of R5.2 million geared towards community libraries to make sure that our community members have access to external and worldwide information, and can interact with the world at large. These facilities will also assist our children, especially learners to develop and increase their interest on reading which will prepare them towards academic world.

It is imperative that as the municipality, we implement sustainable financial management principles to achieve feasible and viable municipal projects and provide equitable services to the community of Greater Letaba Municipality. As Greater Letaba Municipality, through the support of our community structures, our determination to empower our communities will be crowned with success.

Greater Letaba Municipality remains committed in improving the lives of our communities through continuous interactions in order to improve quality service to them. We will strive by all means to ensure that our municipality remains economically relevant and sustainable in taking the country forward.

Maatla go Setshaba

Cllr: Modjadji G.H

Mayor of Greater Letaba Municipality

## 1.2 Council Resolutions

Council of Greater Letaba Municipality met to consider the draft annual budget of the municipality for the financial year 2014/2015. 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 draft annual budget of the municipality for the financial year 2014/2015 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 met on 29 May 2014 to consider and note the following budget and risk 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
  - 2.10. Virement policy
  - 2.11. Risk Management Policy

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 29 May 2014 to note the tariffs for electricity, refuse removal and other services.

### 1.3 Executive Summary

The Greater Letaba Municipality has during August 2013 approved a time schedule outlining the key deadlines in terms of the preparation of both IDP and budget for the 2014/2015 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, 55,58,59,66,67,70 and 72 were used to guide the compilation of the 2014/2015 MTREF.

The main challenges experienced during the compilation of the 2014/2015 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 2013/14 Adjustment budget and 2014/15 Draft 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 2014/2015 budget.

**Table 1 Consolidated Overview of the 2014/2015 MTREF**

R Thousand	Budget Year 2014/2015	Budget Year 2015/2016	Budget Year 2016/2017
Total Operating Revenue	276 686 219	274 859 341	280 557 200
Total Operating Expenditure	164 150 747	169 058 858	179 082 781
Surplus Deficit	112 535 472	105 800 483	101 474 419
Total Capital Expenditure	53 440 000	56 218 000	58 687 000
Total Capital Expenditure	165 975 472	162 018 483	160 161 418

Total revenue budget is mainly represented by operating grant and subsidies of R172 million (including equitable share) and MIG allocations amounting to R53 million for the 2014/2015 financial year.

Revenue from the payment of services by ratepayers amounts to R58.1 million for the financial year 2014/2015 with other revenue from other services amounting to almost R7.9 million. Refer to table A7 (budgeted cash flows).

Included in the operating expenditure of R164 million is an amount of R10 million for depreciation (depreciation and asset impairment on table A1) which represent a non cash item for the financial year 2014/2015.

Repairs and Maintenance which forms part of Operating Budget amounts to R9.5 million with Bulk purchases for Electricity amounting to R13.5 million for the financial year 2014/2015.

In the Draft Budget Repairs and Maintenance amounted to R4,5 million (1,0% as percentage of PPE and 2.8% as a percentage of Operating Expenditure).

An Adjustment was made in terms of Repairs and Maintenance to equal to R9,5 million (2,1% PPE and 5,8% operating expenditure).The Municipality is not able to reach a target norm of 8% mainly due to Budget Constraints.

Salaries and allowances amount to R64 million and remuneration of councillors' amounts to R16.9 million. Refer to table A1 (Budget Summary).

Capital expenditure amounts to R166 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 2014/2015 MTREF (classified by main revenue source):

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

Description	2014/2015 FY	2015/2016 FY	2016/2017 FY
Equitable share	167 589 000	208 754 000	210 859 000
MIG	53 440 000	56 218 000	58 687 000
EPWP	1 731 000	0	0
FMG	1 600 000	1 650 000	1 700 000
MSIG	934 000	967 000	1 018 000
Service charges	88 464 219	46 155 341	48 693 200
Other income	16 368 000	17 333 000	18 287 000
<b>Total Revenue</b>	<b>330 126 219</b>	<b>331 077 341</b>	<b>339 244 200</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

### 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 2014/2015 is 7.39%. 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 2014/2015 budget and MTREF is informed by the following:

- 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;
- 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 2014/2015 budget and MTREF (classified per main type of operating expenditure):

**Table 3 Summary of operating expenditure by standard classification item**

<b><u>Expenditure By Type</u></b>	2014/2015	Percentage	2015/16	2016/17
Employee related costs	64 346 273	39.2	68 464 435	72 846 159
Remuneration of councillors	16 855 524	10.3	17 934 277	19 082 071
Depreciation & asset impairment	10 048 950	6.1	10 641 838	11 227 139
Finance charges	2 107 008	1.3	2 231 321	2 351 813
Bulk purchases	13 483 727	8.2	14 570 515	15 744 899
Other expenditure	57 309 265	34.9	55 216 472	57 830 697
Loss on disposal of PPE				
<b>Total Operating Expenditure</b>	<b>164 150 747</b>	<b>100</b>	<b>169 058 858</b>	<b>179 082 781</b>

The budgeted allocation for employee related costs for the 2014/2015 financial year totals R64.3 million, which equals 39.2 per cent of the total operating expenditure and 19.5 per cent 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.

### **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 2014/2015 financial year amounts to R166 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 2014/2015 financial year:

Senwamokgope community hall paving and fencing	: R 1 500 000
New community hall – Rotterdam	: R 2 400 000
Cemetery layout and fencing – Ga-Kgapane	: R 1 500 000
Kgapane Sports ground	: R 5 000 000
GLM Show ground	: R 6 000 000
Land fill site	: R 5 000 000
Modjadjiskloof channels	: R 2 000 000
Low level bridges	: R 1 500 000
TLB (Backhoe loader)	: R 1 500 000
Tipper truck	: R 1 380 000
Senwamokgope Library	: R 2 100 000
Sekgopo Library	: R 2 100 000
Mokwakwaila Library	: R 375 000
Kgapane Stadium	: R 3 600 000
Outdoor gyms (Kgapane, Modjadjiskloof and Senwamokgope)	: R1 600 000
Sekgopo Gabions	: R1 200 000
Upgrade of Electricity to NER Standards – NER Compliance	: R5 326 472
Shaamiriri sports complex- Roll over	: R1 700 000

As a continuing fighting against crime, the following Highmast and streetlights will be constructed in the financial year 2014/2015

Abel Highmast	: R105 000
Moroatshehla Highmast	: R105 000
Thakgalane Highmast	: R105 000
Maapana Highmast	: R105 000
Shamfana Highmast	: R105 000
Mmamokgadi Highmast	: R105 000
Malematja Highmast	: R105 000
Mamphakhathi Highmast	: R105 000
Highmast in 10 villages	: R6 000 000

In continuation of our tradition of our famous paving of roads, the following projects will be planned and constructed in the financial year 2014/2015 and the two outer years:

Mothobekgi street paving	: R6 550 000
Mamaila Phaphadi street paving	: R6 550 000
Phooko Head Kraal Paving	: R3 200 000
Raphahlelo Head Kraal Paving	: R6 550 000
Rehabilitation Modjadjiskloof streets	: R5 500 000
Rehabilitation of Ga-Kgapane streets	: R5 500 000
Modjadjiskloof Sidewalks	: R3 000 000
Access Road to Mokwakwaila Taxi Rank-Roll over	: R3 100 000
Modjadji Ivory Route street paving	: R7 000 000
Lemondokop street paving	: R 450 000
Itieleng-Sekgosese Street paving	: R 450 000
Refilwe Street Paving	: R 450 000
Mmamakata Raselaka Street paving	: R 450 000
Khosotupa Taxi Rank	: R 220 000

Wholesaler Taxi Rank	: R 220 000
Mamphakati Taxi Rank	: R 220 000
Ga-Kgapane Street Upgrade	: R 8 965 000
Senwamokgope Street Upgrade	: R 5 400 000
Upgrading of street-Thakgalane – Roll over	: R 1 500 000
Upgrading of street- Kuranta	: R 3 600 000
Upgrading of street- Mokgoba	: R 5 950 000
Upgrading of street- Modjadji Valley	: R 5 950 000
Mandela Park road	: R 2 000 000
Modjadji Head Kraal Road	: R 1 000 000
Ratjeke Street Paving	: R 5 600 000
Seatlaleng Street Paving	: R 400 000
Mohlakong Street Paving	: R 400 000
Sephukubje Street Paving	: R 400 000
Matshelapata Street Paving	: R 400 000
Shawela Street Paving	: R 400 000
Sekgopo Maboying Street Paving	: R 400 000
Tlotlokwe Street Paving	: R 400 000
Shamfana Street Paving	: R 400 000
Kherobeng Street Paving	: R 400 000

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 2014/2015 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 R277 million in 2014/2015, R275 million and R281 million in 2015/2016 and 2016/2017 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 R171 million, R211 million and R214 million for the financial years 2014/2015, 2015/2016 and 2016/2017 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 2014/2015 R3 million has been allocated.

**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 2014/2015 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 R79.6 million will be spend on new assets in the 2014/2015 financial year while an amount of R86 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 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on August 2013.

Key dates applicable to the process were:

- **11 to 13 November 2013** – 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 2013/2014 MTREF;
- **25 January 2014** – 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 2014** - Council considers the 2013/14 Mid-year Review
- **27 February 2014** – Adjustments budget was approved
- **31 March 2014** - Draft budget was 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 2014/2015 MTREF, based on the approved 2013/14 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 2014/2015 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 2013/14 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 2014/2015 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 2014/2015 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 2013/14 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, 67,70 and 72 has been taken into consideration in the planning and prioritisation process.

#### **2.1.4 Community Consultation**

The draft 2014/2015 MTREF as tabled before, community consultation started on the 29 April and ended on the 20 May 2014 for approval of the budget on the 29 May 2014.

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, had a blue drop status. The schemes that are run by the Mopani District Municipality had status of about 96 percent in the 2010/2011 financial year.

In 2011/2012, 93 percent was achieved which led to our district not achieving a blue drop status.

## **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 has been reviewed.

### **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 29 May 2014.

### **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 29 May 2014.

### **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 29 May 2014.

#### **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 29 May 2014.

#### **2.4.6 Tariff Policy**

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 29 May 2014.

#### **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 2013/2014 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 2013/2014 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 2014/2015 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 2014/2015 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 \_\_\_\_\_

Greater Letaba Municipality 2014/2015 Annual Budget and MTREF

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Date 12/06/2014