



Mayor`s address at the adoption of the 2016/17 Financial Year budget

Madam Speaker

Chief Whip

Members of the Executive Committee

Chairperson of Section 79 Committees

Councillors

Municipal Manager and other Section 54 Managers

Support staff

Distinguished guests

Media

Setshaba ka moka

We are gathered here today to consider and adopt the 2016/17 IDP and Budget. This is a historic moment in history as this is the last budget of this current term of this Council that was inaugurated in May 2011. It is also historic because after local government elections to be held on the 03<sup>rd</sup> August 2016, Greater Tubatse Municipality will cease to exist and new baby will be born. We are proud to be here because in the last Five years we were able to implement projects that changed the face of the Municipality and improved the lives of our people.

We would like to applaud members of this Council for the good work done during this tenure and we are confident that the next batch of Councillors will take the baton and finish what this Council initiated. It was a journey full of challenges and collectively we have managed to resolve most together with our electorates. We must acknowledge that the term was characterised by a serious wave of protest actions that brought much attention and focus to the Municipality. This came as a result of the impatience from our communities in terms of the pace at which government provide services and we full understand that frustration.

As indicated our purpose today is to consider and adopt the 2016/17 financial year IDP and Budget. This is the result of the process which was initiated by Council to consult communities to make inputs and comments into the IDP and Budget. Our consultative meetings this financial year took a different shape where were forced to reschedule most them due to various reasons ranging from poor attendance to protest action. However in summary we can indicate what our communities wish to see happening in their wards;

- Quality RDP houses
- Water provision
- Fencing of cemeteries
- Poverty alleviation projects
- Paving of streets
- Community halls
- Libraries
- Bursaries
- Access roads
- Role of the Mines in the upliftment of the communities
- Grading of sports fields
- Electrification

The budget to be presented here has been prepared in accordance to the demands emanating from consultation with the communities. We must mention that some of the demands are not within the mandate of our Municipality but are the competency of our spheres of Government. Our IDP will indicate the intervention made by other Spheres of government in addressing the needs of our communities.

We want to use this opportunity to report that Operation Mabone is continuing despite the challenges faced during execution. We have received many complains from the affected communities where the project is implemented and good progress has been registered in resolving those challenges.

We are happy that almost 40% of the 21 villages have been electrified and remain confident that all villages will be electrified at the end of the calendar year. In areas such as Ga-Kgoete, Manyaka, Ga-Masha extension 4 and 5 we are working with the Mines to intervene as the communities are not part of Operation Mabone. Due to the high backlog our engagements with ESKOM are continuing with a sole purpose of increasing the number of households to be electrified.

Madam Speaker allow me to present the 2016/17 budget consisting of the budget of the two outer financial years.

**The table below is a summary of the Budget**

<b>Description</b>	<b>Budget Year 2016/17 ORIGINAL</b>	<b>Budget Year 2017/18 ORIGINAL</b>	<b>Budget Year 2018/19 ORIGINAL</b>
<b>TOTALS REVENUE</b>	<b>(483,519,232)</b>	<b>(514,227,463)</b>	<b>(528,010,670)</b>
<b>TOTAL EXPENDITURE</b>	<b>578,109,189</b>	<b>539,794,233</b>	<b>526,604,656</b>
<b>OPERATING EXPENDITURE</b>	<b>372,685,990</b>	<b>381,644,233</b>	<b>393,554,656</b>
<b>ASSETS FROM INEP GRANTS Total</b>	<b>80,000,000</b>	<b>80,000,000</b>	<b>80,000,000</b>
<b>ASSETS FROM MIG GRANTS Total</b>	<b>60,313,199</b>	<b>59,300,000</b>	<b>51,950,000</b>
<b>ASSETS FROM OWN FUNDS Total</b>	<b>65,110,000</b>	<b>18,850,000</b>	<b>1,100,000</b>
<b>GRAND TOTALS (SURPLUS) / DEFICIT</b>	<b>94,589,957</b>	<b>25,566,770</b>	<b>(1,406,014)</b>

The total revenue budget for 2016/17 is projected to be R483 million, with total expenditure of R578 million, resulting in a deficit of R94 million, reducing to R25 million in 2017/18 and with a projected surplus of R1.4 million in 2018/19.

The deficit of R94 million for 2016/17 is before taking into account the projected cash reserves of R146 million at the end of June 2016. The Municipality should be in a position to fund the deficit based on the cash reserves projected.

The total deficit over the MTREF period is R118 million,  
The total cash reserves are estimated to be R146 million at the end of June 2016, and  
The reconciliation below between the cash reserves at the end of April 2016 indicates that despite the deficit in the first two years of the MTREF the Municipality will still have R28 million.

The total expenditure for 2016/17 of R578 million is broken down as follows:

- Operating Expenditure R372 Million (64%),
- Assets from Integrated National Electrification Programme (INEP) R80 million (15%),
- Municipal Infrastructure Grant (MIG) spending R60 Million (10%), and
- Funding of capital expenditure using own funds R65 Million (11%).

Total Revenue for 2016/17 of R483 Million is broken down as follows:

- Capital Grants and Subsidies R142 Million (29%),
- Operating Grants and Subsidies R 207 Million (43%), and
- Own revenue R134 million (28%).

This budget will go along in addressing the needs of our communities and we must mention that due to the terrain of our Municipality, our concentration was on improving rural mobility where most investment was done on the construction of the access bridges.

We are happy that most areas are now connected to each other as a result of the programme of access bridges.

We shall continue with the construction of the access bridges together with other capital projects. Funding of these projects will come from MIG, INEP and our own funding. Below are the Capital projects to be implemented;

#### **CAPITAL EXPENDITURE FROM MIG FUNDING**

<b>Item Description</b>	<b>Budget Year 2016/17 ORIGINAL</b>	<b>Budget Year 2017/18 ORIGINAL</b>	<b>Budget Year 2018/19 ORIGINAL</b>
TUBATSE HIGHMAST LIGHTS IN RURAL VILLAGES/GTM	1,000,000	15,000,000	15,000,000
MAPODILE SPORTS COMPLEX	-	11,000,000	1,000,000
BOTHASHOEK ACCESS BRIDGE	3,000,000	-	-
ACCESS ROAD - BOTHASHOEK	5,977,900	6,000,000	1,000,000
ACCESS BRIDGE - DIPHALA/MAKHWAYA	12,000,089	-	-
ACCESS BRIDGE - GA-MOTSHANA	6,000,000	-	-
ACCESS BRIDGE - LEBOENG	4,100,000	-	-
ACCESS BRIDGE - LEGOLENG	7,000,000	3,800,000	2,000,000
ACCESS BRIDGE - MABOCHA	9,700,000		-
ACCESS BRIDGE - MADITHONGWANA	-	6,000,000	7,000,000
ACCESS BRIDGE - MAFARAFARA	9,035,210	-	-
ACCESS BRIDGE - MPURU	-	3,500,000	7,950,000
FENCING OF RURAL CEMETRIES IN ALL WARDS	500,000		7,000,000
STORMWATER DRAINAGE - PRAKTISEER	-	6,000,000	11,000,000
BURGERSFORT FLEA MARKET	100,000	5,000,000	
TUBATSE REHABILITATION OF WASTE	1,900,000	3,000,000	-
<b>TOTAL</b>	<b>60,313,199</b>	<b>59,300,000</b>	<b>51,950,000</b>

## CAPITAL EXPENDITURE FROM INEP FUNDING

The table below is a list of all Villages that will benefit from the Electrification Programme (Operation Mabone)

Area Description	Budget Year 2016/17 ORIGINAL	Budget Year 2017/18 ORIGINAL	Budget Year 2018/19 ORIGINAL
ELECTRICITY – KUTULLO	7,570,829	-	
ELECTRICITY – KOPPIE	500,000	-	
ELECTRICITY - BUFFELSHOEK	1,000,000	-	
ELECTRICITY - DIBAKWANE (DIEKOP)	500,000	-	
ELECTRICITY - MAPHUTLE (DRIEKOP)	500,000	-	
ELECTRICITY - KAMPENG (DRIEKOP)	500,000	-	
ELECTRICITY - MANDELA (PARK)	10,838,711	3,161,289	3,350,9
ELECTRICITY - FRANCE (DRIEKOP)	7,000,000	-	
ELECTRICITY - DITHAMAGA	500,000	-	
ELECTRICITY – TAUNG	4,000,000	-	
ELECTRICITY - MAKOFANE	2,590,460	2,500,000	
ELECTRICITY - MARESELENG	9,500,000	-	
ELECTRICITY - PRAKTISEER	30,000,000	-	
ELECTRICITY - BARCELONA	5,000,000	-	
ELECTRICITY - OPERATION MABONE ADDENDUM	-	74,338,711	76,649,0
<b>TOTALS</b>	<b>80,000,000</b>	<b>80,000,000</b>	<b>80,000,0</b>

## CAPITAL EXPENDITURE FROM OWN FUNDING

<b>Item Description</b>	<b>Budget Year 2016/17 ORIGINAL</b>	<b>Budget Year 2017/18 ORIGINAL</b>	<b>Budget Year 2018/19 ORIGINAL</b>
ANIMAL POUND	1,000,000	-	
TRAFFIC VEHICLE	1,000,000	-	
LAW ENFORCEMENT AND SAFETY PROGRAMMES	500,000	600,000	700,000
SPEED EQUIPMENT	500,000	400,000	
TWO WAY RADIO CONTROL ROOM	500,000	-	
CONSTRUCTION OF NEW LICENCING OFFICE	3,010,000	2,000,000	
VEHICLES (SEDAN TRAFFIC)	500,000	-	
AIR QUALITY MANAGEMENT CENTRE	4,000,000	-	
PURCHASE OF LANDFILL SITE	30,000,000		
E & S PROMOTION OF TOURISM	300,000	350,000	400,000
ACQUISITION OF ROAD SERVITUDES	3,000,000	1,500,000	
BURGERSFORT FLEA MARKET	100,000		
RELOCATION OF BURGERSFORT TRANSPORT	100,000	5,000,000	
PLANT AND EQUIPMENT	9,000,000	-	
THOKWANE ACCESS ROAD	1,000,000		
LEBOENG ACCESS ROAD	1,000,000		
TUKAKGOMO ACCESS ROAD	1,000,000		
DRIEKOP SPORT COMPLEX		1,000,000	
ARTS AND CULTURE CENTRE	1,000,000		
GA-MAKUA LIBRARY (WARD 29)		1,000,000	
PRAKTISEER LIBRARY	600,000		
MOTODI SPORT COMPLEX	1,000,000		
GA-MAKOFANE ACCESS BRIDGE			

Item Description	Budget Year 2016/17 ORIGINAL	Budget Year 2017/18 ORIGINAL	Budget Year 2018/19 ORIGINAL
		1,000,000	
ACCESS BRIDGE - DITHAMAGA	1,000,000		
ACCESS BRIDGE - GA-MALWANE	1,000,000		
ACCESS BRIDGE - LEFAHLA	1,000,000		
ACCESS BRIDGE - MATIMATJATJI		1,000,000	
ACCESS BRIDGE - MOROKADIETA	1,000,000		
ACCESS BRIDGE - MOAJOE_A_KGORO		1,000,000	
ACCESS BRIDGE - MOROKADIETA 2		1,000,000	
ACCESS BRIDGE - SEKABATE		1,000,000	
ACCESS BRIDGE - MOKGETHI ACCESS BRIDGE		1,000,000	
ACCESS BRIDGE – MOLEKANE		1,000,000	
ACCESS BRIDGE - TJATE	1,000,000		
MOTAGANENG ACCESS BRIDGE	1,000,000		
<b>TOTALS</b>	<b>65,110,000</b>	<b>18,850,000</b>	<b>1,100,000</b>

**The departmental budgets are as follows;**

- ✓ Community services R102 million, this Department is a custodian of contracted services such as refuse removal its expenditure is high it also includes administration of waste management services,
- ✓ Corporate services R85 million this is a support Department and does not include a high budget on capital expenditure,
- ✓ Economic and Land Development R 48 million, this Department does not have budget for capital expenditure,



- ✓ Financial Services R230 million, this Department is the custodian of the revenue hence its total budget shows a credit total balance, and
- ✓ Technical Services R71 million this department has a high budget of capital expenditure.

**In conclusion Madame Speaker here are our recommendations to be considered and adopted by Council**

- a. That Exco supports and recommend to Council the FINAL annual budget for 2016/17 for approval.
- b. That the FINAL budget for the financial year 2016/17 to be submitted to National and Provincial Treasury and relevant stakeholders in the prescribed format.
- c. That the budget for 2016/17 be placed on the Greater Tubatse Municipality website as prescribed by MFMA section 75(1).
- d. That the Executive committee recommend to Council the implementation of the General Valuation Roll on 1 July 2016 after taking into account all objections that closed on 11 may 2016,
- e. That Council note the contents of Circular number 82 on cost containment issued by National Treasury on 30 March 2016,
- f. That an advert be issued to invite the members of the public to view the final budget with its tariffs and budget related policies.
- g. The Medium Term Expenditure Framework (MTREF) for 2017/18 and 2018/19 will be reviewed in line with the 2017/18 IDP process.
- h. That the budget offices of GTM and Fetakgomo Local Municipalities start the process of integrating the budgets taking into account that elections will be held on 3 August 2016, and the two Municipalities should have adopted a common budget framework before the “new” Municipality is officially established

**i.e That the Municipality in compliance with section 14 (1) and (2) of the Municipal Property Rates Act (MPRA), Council must pass a resolution levying property rates and it must publish the resolution in the Provincial Gazette.**

I thank you

## 1.3 Executive Summary

The budget of the municipality was prepared taking into consideration the Municipal Budget and reporting regulations and the National Treasury circulars relating to budgets.

The application of sound financial management principles for the compilation of the Municipality budget is essential and critical to ensure that the municipality remains financially sound and that the municipality is able to provide services to all communities in a sustainable manner.

The municipality has reviewed the service delivery priorities as part of this year's planning and budget process.

### 1. **Reduction of municipal service delivery backlog**

Backlog figures have been validated per ward/village in order to ensure that planning for services is enhanced. The budget has been done per municipality wards based on the backlog challenges in each ward.

### 2. **The following budget principles and guidelines directly informed the compilation of the tabled 2015/16 MTREF:**

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- 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 refuse removal. 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;
- The spending on non-core activities has been reviewed and austerity measures have been introduced to reduce non- priority spending.

The following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

The proposed operating revenue amounts to R483 519 232 while operating expenditure and capital expenditure amounts to **R578 109 189**, as a result the municipality is faced with deficit of **R(94 589 957)** that arise from non-cash items such as depreciation amounting to R36,483m and Debt impairment of R24,537m respectively. However the municipality will be able to finance its deficit taking into consideration of the reserves as at the end of May 2016.

**Table 1 Consolidated Overview of the 2016/17 MTREF**

Description	Budget Year 2016/17 ORIGINAL	Budget Year 2017/18 ORIGINAL	Budget Year 2018/19 ORIGINAL
<b>TOTALS REVENUE</b>	<b>(483 519 232)</b>	<b>(514 227 463)</b>	<b>(528 010 670)</b>
<b>TOTAL EXPENDITURE</b>	<b>578 109 189</b>	<b>539 794 233</b>	<b>526 604 656</b>
<b>OPERATING EXPENDITURE</b>	<b>372 685 990</b>	<b>381 644 233</b>	<b>393 554 656</b>
<b>ASSETS FROM INEP GRANTS Total</b>	<b>80 000 000</b>	<b>80 000 000</b>	<b>80 000 000</b>
<b>ASSETS FROM MIG GRANTS Total</b>	<b>60 313 199</b>	<b>59 300 000</b>	<b>51 950 000</b>
<b>ASSETS FROM OWN FUNDS Total</b>	<b>65 110 000</b>	<b>18 850 000</b>	<b>1 100 000</b>
<b>GRAND TOTALS (SURPLUS) / DEFICIT</b>	<b>94 589 957</b>	<b>25 566 770</b>	<b>(1 406 014)</b>

The 2016/17 budget has experienced a challenge in terms of funding due to the fact that its equitable share was decreased by almost R30m compared to the 2015/16 allocation while inflation has increased at a higher rate. The Municipality is therefore Grant dependant as it does have enough resources to can cater its expenditure.

## 1.4 Capital expenditure

### Capital Budget

The capital budget of R205, 423m has been budgeted for the 16/17 financial year.

#### Asset management

Further detail relating to asset classes and proposed capital expenditure is contained in MBRR 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.

## **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 of the Municipality consist of the following members under the chairpersonship of the MMC for Budget and Treasury

- Municipal manager
- Chief finance Officer
- Senior manager: Infrastructure
- All senior managers
- Manager: Budget and Reporting
- Manager: Income
- MMC responsible for Infrastructure and Water services
- MMC responsible for Planning and economic development

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

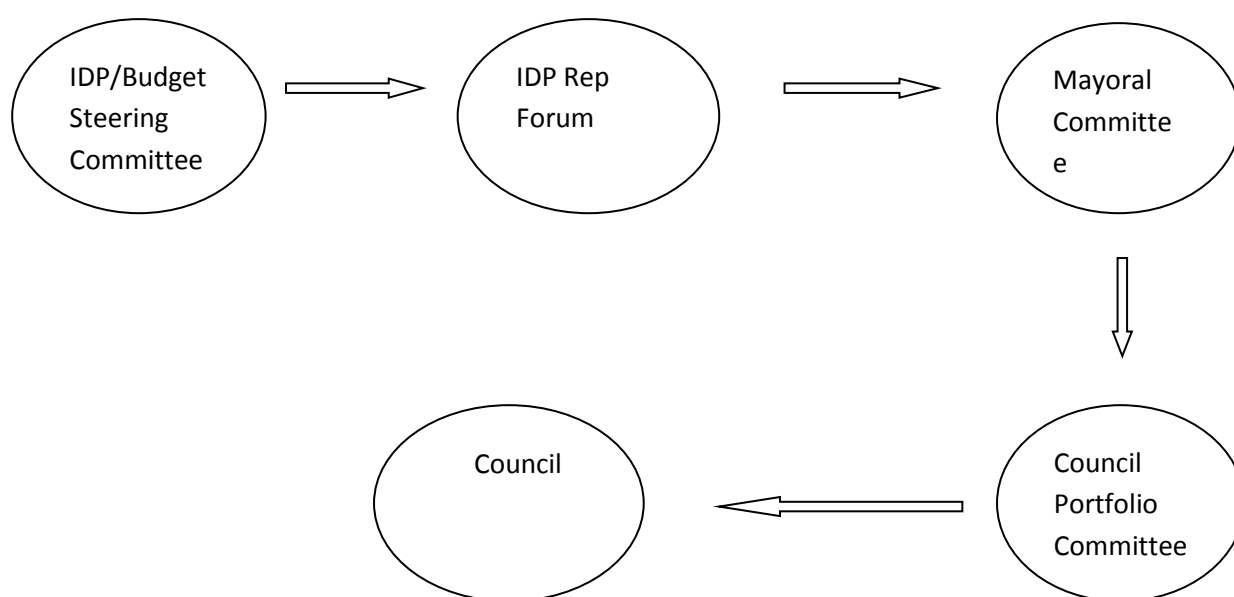
- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality IDP and the budget, taking into account the need to protect the financial sustainability 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.

## 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 a time schedule that sets out the process to revise the IDP and prepare the budget.

## Organizational structures for IDP/Budget process

There are various structures responsible to oversee the implementation of the process plan and management of the IDP/Budget process. The IDP/Budget is developed on administrative level by the Municipal Managers and Directors responsible for planning assisted by IDP managers of municipalities and officials of relevant sector departments from the province as well as relevant parastatals /state companies, and developed further by the Budget Steering Committee. The IDP Representative Forum is a combined structure of public consultation on IDP which comprises of representatives of different constituencies of communities and institutions. The GTM Council is the ultimate authority on the IDP - assisted by the Council portfolio committees and the Mayoral Committee.



The table below clarifies the roles of the IDP structures:

COMPOSITION	ROLES & RESPONSIBILITIES	FREQUENCY OF THE MEETINGS	VENUES	Deadline
<b>A: IDP/Budget Steering Committee</b>				
• Member of Mayoral Committee (MMC)	• Manage the IDP/Budget	Monthly	To be confirmed	To be confirmed

responsible for finance (Chairperson) • MMC responsible for Planning and Economic Development Department • Two MMCs responsible for Infrastructure Department • Municipal Manager • Director: Corporate Services Department • Director: Infrastructure and Water Services Department • Director: Community Services Department • Director: Finance Department (CFO) • Director: Planning and Economic Development Department • Director: Communications • Chief Risk Officer • Senior IDP Officer • Senior PMS Officer	process, including the process plan • Determine project prioritization model • Determine projects to be funded • Determine the public participation models • Monitor the implementation of projects outlined in the IDP • Present the draft IDP/Budget to the Rep Forum • Present the draft IDP/Budget to Mayoral Committee and to Council for approval			
COMPOSITION	ROLES & RESPONSIBILITIES	FREQUENCY OF THE MEETINGS	VENUES	Deadline
<b>B: IDP Rep Forum</b>				
• Executive Mayor • Municipal Mayor • Municipal Councilors • Municipal Manager • Municipal Directors • Sector Departments and government parastatals • Traditional leaders	• Coordinate planning across the Municipality • Share common understanding on development issues • Facilitate horizontal alignment between and among municipalities,	- One meeting at analysis phase - One meeting on Draft IDP	To be confirmed	30 December 2014 and 30 April 2015

<ul style="list-style-type: none"> <li>• Mining representatives</li> <li>• Organized groups</li> </ul>	sector departments; parastatals; mines; various communities <ul style="list-style-type: none"> <li>• Provide support to one another when necessary</li> </ul>			
COMPOSITION	ROLES & RESPONSIBILITIES	FREQUENCY OF THE MEETINGS	VENUES	Deadline
<b>C. Mayoral Committee</b>				
Members of Mayoral Committee	Recommend the approval of the IDP review to Council	Monthly	To be confirmed	Continual
<b>D. Portfolio Committees</b>				
Councillors	Recommend the approval of the IDP review to Council	To be confirmed	To be confirmed	Continual
<b>E. Council</b>				
Councillors	Adopt and approve the IDP	To be confirmed	To be confirmed	To be confirmed



**Table 3. Schedule of key deadlines**

The table below reflects key deadlines which will be followed according to the normal IDP/Budget process as per legislation.

<b>Preparatory phase:</b> Council adopts budget time table and IDP Process Plan for 2013/2014	Planning and Economic Development Department/Budget and Treasury	-Section 27(1) Act 32 of 2000 -Section 21(1) Act 56 of 2003	29 July 2014
First sitting of the budget steering committee	Budget and Treasury	Section 4(1) Municipal Budgets and Reporting Regulations, 2008	30 July 2014 and monthly thereafter
Public notice in the Local newspaper/Gazette regarding the adoption of process plan	Planning and Economic Development Department	Section 21(1) (a) (b) and (c) Act 32 of 2000	30 August 2014
<b>Analysis Phase:</b> Situational analysis to assess the existing level of development (status quo) of the SDM	Planning and Economic Development Department	Section 26 (b) of Act 32 of 2000	30 August 2014
<b>Strategy phase:</b> The objectives and strategies that will be used to tackle challenges of development are specified.	All internal departments of GTM,	Section 26 (c and d) of Act 32 of 2000	31 December 2014
Public consultation process first round	Planning and Economic Development	Section 16(1) (a) Act 32 of 2000	15 February 2015
<b>Project phase and Integration phase:</b> Projects to implement the identified objectives and strategies are formulated	All internal departments of GTM,	Section 26 (c and d) of Act 32 of 2000	27 February 2015
Draft IDP/Budget tabled before Council for noting	Planning and Economic Development/Budget	Section 16(1) (a)-(d) Municipal Budgets and	31 March 2015

	and Treasury	Reporting Regulations	
Public consultation final round	Planning and Economic Development/Budget and Treasury/Office of the Speaker/Mayor	Section 16(1) (a) Act 32 of 2000	30 April 2015
Council approves the IDP and Budget (and related policies) for 2014/2015	Planning and Economic Development/Budget and Treasury	Section 16(1) (a)-(d) Municipal Budgets and Reporting Regulations, 2008	31 May 2015
Submission of approved budget/IDP to MEC for Local Government/National and Provincial	Planning and Economic Development/Budget and Treasury/Municipal Manager	Section 32(1) (a) Act 32 of 2000	11 June 2015
Notice and summary of approved IDP/budget in Gazette and Local Newspaper	Planning and Economic Development/Budget and Treasury	Section 21(1) (a) (b) and (c) Act 32 of 2000 Section 18(1) Municipal Budgets and reporting regulations, 2008	30 June 2015
Notice of approved Service Delivery and Budget Implementation Plan in Local newspaper/gazette	Planning and Economic Development	Section 19 Municipal Budgets and Reporting Regulations, 2008	30 July 2015

### **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 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 2016/17 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 2016/17 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 2015/16 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.

The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, )
- Performance trends
- MFMA circular 78 and 82
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars has been taken into consideration in the planning and prioritisation process.

## **Community Consultation**

The draft 2016/17 MTREF as tabled before Council for community consultation will be published on hard copies and will be made available at municipal offices.

The municipality engaged different stakeholders and role-players including traditional leaders, community organisations, mining houses and communities in different wards.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects have been taken into consideration, and where relevant considered as part of the finalisation of the 2016/17 MTREF.

## 2.2 Overview of alignment of annual budget with IDP and SDBIP

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 District, 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 District 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 district, 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's 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 (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as legislation and policy;
- National Key Performance Indicators (NKPIs);

- Accelerated and Shared Growth Initiative (ASGISA);
- National Development Plan
- 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 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

### **IDP Strategic Objectives**

The following are the strategic objectives of the district:

- Economic Growth, Development and job creation
- Community development and Social cohesion
- Spatial development and sustainable land use management
- Active community participation and Inter-Governmental alignment
- Effective, accountable and clean government
- Basic Service Delivery

In order to ensure integrated and focused service delivery between all spheres of government it was important for the district to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the District. The five-year programme responds to the development challenges and opportunities faced by the district by identifying the key performance areas to achieve the six strategic objectives mentioned above.

In addition to the five-year IDP, the district undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. The district vision 2030. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the district so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the District's IDP, associated sectoral plans and strategies, and the allocation of resources of the City and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

- Strengthening the analysis and strategic planning processes of the district;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

### **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.

Details relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement), but due to the fact that indigent register is not yet approved by council we could not quantify the costs. The cost on free basic services is not included due to the fact that the billing of electricity to households is done by ESKOM.

## **2.4 Overview of budget related-policies**

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

### **Review of credit control and debt collection procedures/policies**

The credit control and debt Collection Policy as approved by Council is tabled for review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

### **Asset Management Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure

needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation.

The Asset Management Policy is therefore 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. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

Although the policy is considered up to date, it tabled for review to ensure that it aligned with applicable standards

### **Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in the previous year.

Key amendments identified are related to management of expansion or variation of orders against the original contract and contracts cessations. An amended policy has been adopted by Council.

### **Virement 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. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was reviewed and approved by Council on the 27<sup>th</sup> of May 2016.

No amended made.

### **Cash Management and Investment Policy**

The Cash Management and Investment Policy were approved by Council. The aim of the policy is to ensure that the district's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks. The policy is considered up to date.

## **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 policies have been reviewed and approved at a council sitting held on the 27<sup>th</sup> of May 2016. The municipality has taken a decision not to increase its tariffs due to its amalgamation with Fetakgomo Municipality taking into account that its tariffs are very high compared to those of Fetakgomo.

- Indigent Policy
- Budget policy

## **2.5 Overview of budget assumption**

### **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. The revenue collection on rate has decreased slightly due to the fact that the District Municipality has taken over the provision of water. The assumption is that the consumers find it to be inconvenience to pay their accounts separately.

### **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 2016/17 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 the cost of remuneration.



### **Collection rate for revenue services**

Cash flow is assumed to be 92 percent per cent of billings on property rates based on last year audited figure, plus an increased collection of arrear debt from the revised collection and credit control policy. 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.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### **Medium-term outlook: operating revenue**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as refuse removal and property rates. It is also acting as an agency to the Department of Road and Transport where it is realising 20% commission.

### **Loan Repayment**

The municipality is currently having three loans which were taken from DBSA. The loans were taken to improve the infrastructure within its local communities. The projects funded includes i.e upgrading of Praktiseer Road, Ngwaabe, and Burgersfort. The longest period taken was twenty years. The balance of the loans as at the end of May is R14, 849m.

## 2.8 Summary of Councillors allowance and employee benefits

The budgeted allocation for employee related costs for the 2016/17 financial year totals R141, 819m which equals 35% per cent of the total operating expenditure.

### Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2015 and shall remain in force until 30 June 2018. The municipality has projected 7% above the applicable rates for salaries increase based on CPI plus 1 %

.

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.

### 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 Municipal Indigent Policy. The target is to register more indigent households during the MTREF; this process will be reviewed annually.

Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement **is supposed to be contained in MBRR A10 (Basic Service Delivery Measurement)**.

The municipality provides 50 kilowatt of electricity to indigent households. The cost of the social package of the registered indigent households **will be largely financed by national government through the local government equitable share received** in terms of the annual Division of Revenue Act.

## 2.11 Capital Expenditure details

For 2016/17 an amount of R205, 423m has been appropriated for the development of infrastructure.

Further detail relating to asset classes and proposed capital expenditure is contained in MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

## 2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

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.

### **Internship programme**

- The Greater Tubatse Municipality is participating in the Municipal Financial Management Internship programme and has employed 11 interns undergoing training in various divisions of the Budget and Treasury and Internal Audit. The interns have been appointed on various dates. Since the introduction of the Internship programme the municipality has successfully employed and trained interns through this programme and a majority of them were appointed either in the municipality or other Institutions.

### **Budget and Treasury Office**

- The Budget and Treasury Office has been established in accordance with the MFMA.

### **Audit Committee**

- An Audit Committee has been established and is fully functional.

### **Annual Report**

- Annual report is compiled in terms of the MFMA and National Treasury requirements.

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 of the district consist of the following members under the chairpersonship of the MMC for Budget and Treasury

- Municipal manager
- Chief finance Officer
- Senior manager: Infrastructure
- All senior managers
- Manager: Budget and Reporting
- Manager: Income
- MMC responsible for Infrastructure and Water services
- MMC responsible for Planning and economic development

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 District'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.