

SEKHUKHUNE DISTRICT MUNICIPALITY

2014/2015 MTREF
BUDGET BOOK

DC 47

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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 district's 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.

The following areas have been identified as key focal areas within the 2014/2015 MTREF budget:

1. Maximising municipal own revenue funds

The municipality has started in 2013/2014 financial year on investing in operational programmes that will ensure that its future own revenue is enhanced. The municipality has adopted revenue enhancement strategy that gives priority focus on stabilisation of water and sewage provision and cost recovery.

Revenue enhancement committee has been established and is currently operational. The committee is made out of all internal and external stakeholders.

Implementation of revenue enhancement strategy that is aimed at is maximising future revenue has started. Take-over of billing and collection function from Ephraim Local Municipality (Former Water Service Provider) has been successfully implemented after the expiry on WSA/WSP service level agreement in 2013/14. Greater Tubatse and Elias Motsoaledi Local Municipalities WSA/WSP contract are also coming to an end on the 30 June 2014, of which the process by the district taking over is currently underway.

The 2014/2015 MTREF budget has programmes amongst others; such as addressing water losses, preparation of asset and operation maintenance plans, appointment of billing officers, cashiers, operation and maintenance personnel's in order infrastructure and water

2. Reducing budget deficit

The municipality has reviewed its non- priority spending to ensure that the funds are allocated to the benefit of the communities for the purposes of service delivery. Nice to have line items have been reduced hence a reduction of operating budget by 10% in the following budget year.

The municipality is gearing towards budgeting for a surplus in the outer following the budget year. Payment of services within 30 days cycle has been successfully implemented in order

to ensure that the municipality does not keep huge liability amounts in its statement of financial position.

Municipal tariffs have also been reviewed to ensure they are cost reflective

The municipality has no reserves that can be used to fund internal projects such as refurbishment of assets, etc. Introduction of contribution to capital replacement reserve was done in the 2013/14 financial year, where interest received and vat refunds are appropriated towards the reserve.

The compilation of the 2014/15 MTREF was not without challenges and the following is a summary:

- The increased cost of bulk water which is placing upward pressure on service tariffs to residents considering the high number of indigents in the municipality. The cost of water from the new Dam is anticipated to increase purchase of bulk purchase, while ability of consumer to pay for the services is still a challenge.
- Inherited different tariffs charges in local municipalities within the district. The difference was because of different rates used before the district took over the water provision as per powers and functions. Alignment of the tariffs still faces a challenge as some areas are charged way higher than other areas. Tariff alignment plan has been drafted that will ensure alignment is completed within the medium term.
- Aging and poorly maintained water infrastructure and consideration of replacing dilapidated water network which some are asbestos pipes.

3. Improving planning on municipal infrastructure programme

The district has been struggling to spend its conditional grants from the past financial years that resulted in an increase in an unspent grants liability in previous years.

Major challenges were because of the municipal projects are not committed two years prior to the budget year due to challenges on planning.

The municipality has in the 2014/15 financial year planned the following in order to eliminate the challenge of poor planning:

- Completion of the water master plan at a macro (bulk provision) and micro (reticulation) levels. The macro water master plan has been developed with the assistance of DWA.
- Feasibility studies, Water demand, water conservation plan and sector plans such as institutional plan are planned for the 2014/15 budget year.

The district is confident that it will turn the around the challenge around under spending on conditional grants

4. 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 local municipality based on the backlog challenges in each local municipality. Sanitation projects were further prioritised as they have a higher backlog percentage.

5. The following budget principles and guidelines directly informed the compilation of the tabled 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget
- 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 bulk water. 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 and nice to have spending.

In view of the aforementioned, the following table is a consolidated overview of the approved 2014/15 Medium-term Revenue and Expenditure Framework:

The approved operating revenue amounts to R534 170 992 million while operating expenditure amounts to R562 673 683, as a result the municipality is faced with deficit of R28 502 690 that arise from non-cash items such as depreciation.

Table 1 Consolidated Overview of the 2014/15 MTREF

Description	Adjustment Budget 2013/14	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	515,291,927	534 170 992	619 981 735	666 726 118
Total Operating Expenditure	584 901 983	597,107,521	627,246,284	665,552,843
Surplus/(Deficit) for the year	(69,610,056.00)	(62,936,528.74)	(7,264,548.48)	1,173,275.16
Total Capital Expenditure	1,004,475,515	1,017,176,000	1,153,286,000	1,190,974,000

Total operating revenue has grown by 4 per cent for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. The marginal increase is due to the decline in municipal own revenue funds from vat refunds budget in the previous budget year.

For the two outer years, operational revenue is anticipated to increase by 16 and 8 per cent respectively, equating to a total revenue budget of R1820 billion over the next three budget years

The operating expenditure for the 2014/15 financial year amounts to R597 107 521. The operating expenditure increased by 2% compared to the 2013/14 financial year. The operating expenditure for the outer years has increased by 5% and increased by 6% for 2015/16 and 2016/17 respectively. The municipality has eliminated spending on non-priority spending to give way for service delivery priorities. The bulk purchases, repairs and maintenance and employee cost are the main contributors to increase in all financial years.

The capital budget of R 1 0176 000 for 2014/15 has increased by 1% compared to the 2013/14 financial year. The capital projects of the municipality are funded by conditional grants. The district has signed a service level agreement with the Department of Water that has made the district the implementing agents for the projects funded by RBIG grant

The municipality has taken over the repayment of the loan from one local municipality which was taken for the construction of the water infrastructure. The capital projects that are under construction will be completed and will be able to provide the communities with water which is a priority for the district.

Summary on Sekhukhune District's Agency

The district has an emerging entity called Sekhukhune Development Agency. The agency was established with the aim of developing the economy within Sekhukhune's jurisdiction area.

In terms of regulation 25 the district is supposed to disclose the funds transferred to entity and also submit the entity's Annual budget and SDBIP.

The district has in its annual budget allocated R3m to the agency. These funds are for salaries and other operational expenses of the agency and it is allocated in the planning and development vote.

1.4 Operating Revenue Framework

In these tough economic times strong revenue management is fundamental to the financial sustainability of the district. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality is currently looking at enhancing the revenue to ensure that the strategy is implemented in a phased-in approach. There are challenges of collecting operating revenue from communities.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Local economic development
- Efficient revenue management, which aims to ensure revenue collection is maximised
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Extend billing to villages where water supply is continuous
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the district

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Summary of revenue classified by main revenue source

As the district is depending on grants from the National and Provincial government for the purpose of funding the operating and capital expenditure, revenue from own sources contribute a minimal percentage to the coffers of the municipality.

Growth in revenue by revenue source

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

The Service charges from sale of water has increased by 8% due to a planned increase on revenue base. The district has planned to escalate water provision to villages that were previously not billed. The revenue enhancement strategy has been reviewed to ensure that the target is met. The increase in tariffs amounted to 6% for residential households.

Other revenue is reduced by 76% as compared to previous financial period budget this is due VAT refund reserves that were budgeted in the 2013/14 financial year

The municipality Investments are earmarked to fund unspent portion of grants and trade and other payables at end of financial period. The investment will earn interest of R7m that will also be used to kick start the Capital Replacement Reserve funds.

Operating Transfers and Grant Receipts

The rates and tariff revision are undertaken after consideration of different factors relevant to the geographic spread of the municipality. The following were considered during the tariff and rates increase; local economic conditions, cost drivers, affordability of services and poverty and indigents. As the municipality is not profit driven, the breakeven of costs and revenue will be an acceptable ratio unlike providing service at a loss and an ever increasing debtor's book which will be close to impossible and costly to collect.

The percentage increases of electricity tariffs granted to Eskom has a direct impact on the water tariffs as electricity is one of the cost drivers for water tariffs and is far beyond the mentioned inflation target. .

The current challenge facing the district is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the district has undertaken the tariff setting process relating to service charges as follows.

Sale of Water and Impact of Tariff Increases

The district is facing water supply challenges as the bulk supply projects are still under construction and the current water demand is way above the supply.

Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Lepelle Northern Water has proposed increases of its bulk tariffs with 10.22% per cent from 1 July 2013.

A tariff increase of 6.5 per cent from 1 July 2013 for water is then proposed. This is based on input cost assumptions of 10.22% per cent increase in the cost of bulk water and other cost drivers such as electricity which will increase by 8%. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) are as follows:

Table 2 Proposed Water Tariffs for areas billed by Sekhukhune District Municipality.

CATEGORY	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Basic Charge	36.48	36.18
0 to 6kl	4.71	4.80
7 to 10kl	5.02	5.12
11 to 30kl	5.34	5.45
Above 30kl	5.69	5.80

Table 3.1 Proposed Water Tariffs for areas within Greater Tubatse Municipality

CATEGORY	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Basic Charge	29.29	31.04
0 to 6kl	6.25	6.63
7 to 10kl	6.88	7.32
11 to 30kl	7.56	8.06
Above 30kl	8.32	8.86

Table 4.2. Proposed Water Tariffs for areas within Elias Motsoaledi Local Municipality

CATEGORY	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Basic Charge	35.10	36.19
0 to 6kl	4.38	R4.64
7 to 10kl	4.67	4.95
11 to 30kl	4.97	5.27
Above 30kl	5.29	5.61

Table 5.3 Proposed Water Tariffs for areas within Ephraim Mogale Local Municipality

CATEGORY	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Basic Charge	35.08	36.20
0 to 6kl	4.32	4.63
7 to 10kl	4.60	4.63
11 to 30kl	4.90	5.09
;Above 30kl	5.22	5.60

The tariff structure is designed to charge higher levels of consumption a higher rate.

The tariff in all the former WSP areas including the district is not the same; therefore the district has started a process of ensuring alignment to a single block tariff for the entire district. The alignment is planned for the 2016/17 financial year, where weighted average method is to be used.

Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2014 is proposed. It should be noted that electricity costs contributes to waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the value of the property
- Indigent tariff for disposal of waste from VIP sanitation is proposed to registered indigents.

1.5 Operating Expenditure Framework

The district expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- The priority focus area should be given to repairs and maintenance of water assets. At least 10% of the budget should be appropriated towards operation and maintenance.
- Elimination of non-core expenses should be done. Expenses such as entertainment, gala dinners, excessive catering, etc.
- Assets management plan should be done in order to assess the conditions of our infrastructure asset. The plan will future determine the acceptable allocations towards operations and maintenance
- Current ratio should be improved to 1:1 within the MTREF

Summary of operating expenditure

The budgeted allocation for employee related costs for the 2014/15 financial year totals R 243 231 521, which equals 43% per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.74 per cent for the 2014/15 financial year. An annual increase of 6.4 and 6.4 per cent has been included in the two outer years of the MTREF.

As part of the district's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. The overtime has been budgeted downwards to planned appointment of fire fighting and operations and maintenance personnel.

Subsistence and Travelling allowance has also been reduced downwards due to anticipation of a reduction as a result of cost cutting initiatives adopted in the 2013/14 financial year

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 district's budget.

The provision of debt impairment was determined based on an annual collection rate. For the 2014/15 financial year this amount equates to R15 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering

the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 58 million for the 2013/14 financial and equates to 4.26 per cent of the total operating expenditure.

Note that the district has corrected its asset register in the 2012/13 financial year through an implementation of GRAP 17 accounting standard, which resulted in a reduction of the value of municipal assets, hence a reduction in depreciation costs.

Bulk purchases are directly informed by the purchase of bulk water from Lepelle Northern Water and Dr JS Moroka Local Municipality. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses as there are areas which the municipality is providing water but those areas are not billed which makes it difficult or close to impossible to calculate distribution loss. The district is considering installation of outlet and inlet bulk meters at all reservoirs for the purpose of managing the water losses.

The bulk purchases also increased due to the anticipation of new areas receiving surface water as a result of completion of de hoop dam.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. The repairs and maintenance this group of expenditure has been prioritised to ensure sustainability of the district's infrastructure.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the District's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset 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 and purchases of materials. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the District's infrastructure and historic deferred maintenance

Over and above the budget for other materials as explained above, the municipality has further budgeted R 15 000 000 for maintenance of other assets not covered under MWIG and Capital Replacement Reserve.

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 District's Indigent Policy. The target is to register more indigent households during the MTREF, a process 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 contained in MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

For 2014/15 an amount of 1 017 176 000 has been appropriated for the development of infrastructure.

Total new assets represent 90% per cent of the total capital budget, 49% of the new assets represents new bulk infrastructure while 41% represents reticulations and VIP sanitation projects. Refurbishment of assets equates to 10% per cent of the 2014/15 capital budget.

The reserve will initially be funded from interest and vat refunds from conditional grants. Municipal funding and reserve policy has also be amended to effect the budget proposal

The district is in the process of compiling an informed asset management plan that will guide the next financial year IDP/Budget process.

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.

1.7 Annual budget tables

TABLE 1. D47 SEKHUKHUNE DISTRICT MUNICIPALITY TABLE BUDGET 2014/15 MTREF

REVENUE	2013/14		% Increase	2014/15	2015/16	2016/17
	Original Budget	Adjusted Budget				
OP GR : EQ SHARE - INSTITUTIONAL SERVICE	392,667,000.00	392,667,000.00	16%	456,184,000.00	542,056,000.00	585,046,000.00
OP GR : MUNICIPAL FINANCE GRANT	1,250,000.00	1,250,000.00	0%	1,250,000.00	1,250,000.00	1,300,000.00
OP GR : MIG	3,500,000.00	6,727,531.00	-3%	6,500,000.00	6,864,000.00	7,248,384.00
OP GR : MSIG	890,000.00	890,000.00	5%	934,000.00	967,000.00	1,018,000.00
OP GR : DEPARTMENT OF TRANSPORT	1,781,000.00	1,781,000.00	16%	2,063,000.00	2,113,000.00	2,188,000.00
OP GR : INCENTIVES - EPWP	1,000,000.00	1,000,000.00	247%	3,466,000.00		
OP GR : MWIG	29,200,000.00					
SERVICE CHRGES	37,692,396.00	37,692,396.00	9%	41,130,352.27	44,009,476.93	47,090,140.31
INTEREST ON INVESTMENT	11,800,000.00	11,800,000.00	-41%	7,000,000.00	7,500,000.00	7,500,000.00
INTERERST ON OUTSTANDING DEBTORS	1,500,000.00	5,500,000.00	9%	6,000,000.00	5,000,000.00	4,500,000.00
OTHER INCOME	40,984,000.00	55,984,000.00	(0.83)	9,643,640.00	10,222,258.40	10,835,593.90
SUB TOTAL	522,264,396.00	515,291,927.00	4%	534,170,992.27	619,981,735.33	666,726,118.21

	2013/14		% Increase	2014/15	2015/16	2016/17
	Original Budget	Adjusted Budget				
SPEAKERS OFFICE	22,400,634.00	26,940,665.00	24%	33,379,893.93	36,482,367.15	38,780,151.92
EXECUTIVE - MAYORS'S OFFICE	22,431,141.00	22,974,789.37	0%	22,954,381.96	28,056,926.41	29,763,705.19
MUNICIPAL MANAGER'S OFFICE	35,122,176.00	37,006,368.89	16%	43,052,745.22	47,428,499.39	50,169,761.01
BUDGET AND TREASURY	141,486,543.00	143,148,543.00	-6%	133,861,093.10	135,169,523.06	143,400,294.46
INFRASTRUCTURE & WATER SERVICES	256,269,252.00	244,934,304.01	2%	248,968,937.32	257,462,332.30	272,626,404.44
PLANNING & ECONOMIC DEV	11,329,187.00	10,241,363.16	-18%	8,421,915.07	8,947,437.63	9,505,838.76
COMMUNITY SERVICES	36,420,896.00	32,063,841.00	11%	35,649,495.83	37,907,143.56	40,307,941.23
SEKHUKHUNE DEVELOPMENT AGENCY	2,400,000.00	2,024,982.00	48%	3,000,000.00	4,000,000.00	5,000,000.00
CO-OPERATE SERVICES	68,014,623.00	65,567,126.57	3%	67,819,058.57	71,792,054.31	75,998,746.05
TOTAL	595,874,452.00	584,901,983.00	2%	597,107,521.01	627,246,283.81	665,552,843.06

SURPLUS/DEFICIT

(73,610,056.00) (69,610,056.00) -10% (62,936,528.74) (7,264,548.48) 1,173,275.16

	2013/14		% Increase	2014/15	2015/16	2016/17
	Original Budget	Adjusted Budget				
CAPITAL EXPENDITURE						
CAP ADMIN-EQUITABLE SHARES	13,490,000.00	15,572,141.60	-29%	11,100,000.00	22,100,000.00	22,310,000.00

WSOG	15,000,000.00	36,726,000.00	-46%	20,000,000.00	25,000,000.00	50,000,000.00
MIG	421,916,000.00	602,213,469.00	-32%	407,068,000.00	425,684,000.00	446,185,000.00
REGIONAL BULK INFRASTRUCTURE GRANT	381,311,000.00	318,880,700.00	56%	497,484,000.00	530,000,000.00	514,000,000.00
ACIP	17,600,000.00	1,683,827.55	-100%	-	-	-
MWIG	-	29,200,000.00	179%	81,523,999.84	150,501,999.76	158,479,000.00
SDM FUNDING	849,317,000.00	1,004,276,138.15	29%	1,017,175,999.84	1,153,285,999.76	1,190,974,000

DC47 Sekhukhune - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		378,068	418,058	434,675	219,585	223,613	-	545,271	642,082	689,036
Executive and council		-	-	-	82,554	88,947	-	-	-	-
Budget and treasury office		378,068	418,058	434,675	67,876	69,098	-	545,271	642,082	689,036
Corporate services		-	-	-	69,155	65,568	-	-	-	-
<i>Community and public safety</i>		-	-	-	36,571	32,098	-	-	-	-
Community and social services		-	-	-	36,421	32,064	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	150	34	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	11,329	10,241	-	-	-	-
Planning and development		-	-	-	11,329	10,241	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		356,340	292,808	532,768	1,104,096	1,253,815	-	1,006,076	1,131,186	1,168,664
Electricity		-	-	-	-	-	-	-	-	-
Water		356,340	292,808	532,768	913,760	1,063,479	-	830,152	885,736	890,060
Waste water management		-	-	-	190,336	190,336	-	175,924	245,450	278,604
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	734,409	710,866	967,443	1,371,581	1,519,768	-	1,551,347	1,773,268	1,857,700
Expenditure - Standard	-									
<i>Governance and administration</i>		136,333	170,490	568,043	291,856	297,663	-	301,067	318,929	338,113
Executive and council		56,992	64,868	-	82,354	88,947	-	99,387	111,968	118,714
Budget and treasury office		45,636	56,032	568,043	141,487	143,149	-	133,861	135,170	143,400
Corporate services		33,705	49,590	-	68,015	65,568	-	67,819	71,792	75,999
<i>Community and public safety</i>		38,968	37,878	-	36,421	32,064	-	35,649	37,907	40,308
Community and social services		38,968	37,878	-	36,421	32,064	-	35,649	37,907	40,308
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental</i>		-	-	-	13,110	10,239	-	-	12,947	14,506

<i>services</i>		13,542	14,491				-	11,422		
Planning and development		13,542	14,491	-	11,329	10,239	-	11,422	12,947	14,506
Road transport		-	-	-	1,781	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		325,312	329,683	-	254,489	244,934	-	248,969	257,462	272,626
Electricity		-	-	-	-	-	-	-	-	-
Water		325,312	329,683	-	254,489	244,934	-	248,969	257,462	272,626
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	514,155	552,542	568,043	595,876	584,901	-	597,108	627,246	665,553
Surplus/(Deficit) for the year		220,254	158,324	399,400	775,705	934,867	-	954,239	1,146,021	1,192,147

DC47 Sekhukhune - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - [EXCECUTIVE COUNCIL]		-	-	-	47,232	51,941	-	56,334	64,539	68,544
Vote 2 - [MUNICIPAL MANAGER]		-	-	-	35,122	37,004	-	43,053	47,428	50,170
Vote 3 - [BUDGET AND TREASURY]		378,068	418,058	434,675	67,876	73,541	-	70,925	127,905	144,574
Vote 4 - [CORPORATE SERVICE]		-	-	-	68,015	65,567	-	67,819	71,792	75,999
Vote 5 - [PLANING AND ECOMOIC DEVELOPMENT]		-	-	-	11,329	10,241	-	11,422	12,947	14,506
Vote 6 - [COMMUNITY SERVICE]		-	-	-	36,421	32,064	-	35,649	37,907	40,308
Vote 7 - [INFRASTRUCTURE AND WATER SERVICES]		356,340	292,808	532,768	1,105,586	1,249,410	-	1,266,145	1,410,748	1,463,600
Total Revenue by Vote	2	734,409	710,866	967,443	1,371,581	1,519,768	-	1,551,347	1,773,268	1,857,700
Expenditure by Vote to be appropriated	1									
Vote 1 - [EXCECUTIVE COUNCIL]		47,717	51,279	-	47,232	51,941	-	56,334	64,539	68,544
Vote 2 - [MUNICIPAL MANAGER]		36,808	39,556	-	35,122	37,006	-	43,053	47,428	50,170
Vote 3 - [BUDGET AND TREASURY]		75,915	81,583	-	141,487	143,149	-	133,861	135,170	143,400
Vote 4 - [CORPORATE SERVICE]		55,211	59,333	568,043	68,015	65,568	-	67,819	71,792	75,999
Vote 5 - [PLANING AND ECOMOIC DEVELOPMENT]		12,088	12,991	-	11,329	10,241	-	11,422	12,947	14,506
Vote 6 - [COMMUNITY SERVICE]		41,206	44,282	-	36,421	32,062	-	35,649	37,907	40,308
Vote 7 - [INFRASTRUCTURE AND WATER SERVICES]		245,210	263,518	-	256,270	244,935	-	248,969	257,462	272,626
Total Expenditure by Vote	2	514,155	552,542	568,043	595,876	584,901	-	597,108	627,246	665,553
Surplus/(Deficit) for the year	2	220,254	158,324	399,400	775,705	934,867	-	954,239	1,146,021	1,192,147

DC47 Sekhukhune - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework
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R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	34,766	26,045	33,981	31,581	31,581	-	-	34,549	36,968	39,556
Service charges - sanitation revenue	2	778	5,599	6,473	6,111	6,111	-	-	6,581	7,042	7,534
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		10,196	13,500	11,382	7,000	7,000	-	-	7,000	7,500	7,500
Interest earned - outstanding debtors		-	-	4,296	1,500	1,500	-	-	6,000	5,000	4,500
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		331,063	370,722	376,086	421,788	395,816	-	-	470,397	553,250	596,800
Other revenue	2	998	2,193	2,457	54,284	73,284	-	-	9,644	10,222	10,836
Gains on disposal of PPE		267	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		378,068	418,058	434,675	522,264	515,292	-	-	534,171	619,982	666,726
Expenditure By Type											
Employee related costs	2	159,519	190,749	215,196	235,953	237,403	-	-	229,946	240,845	256,280
Remuneration of councilors		6,885	6,434	10,008	9,219	12,447	-	-	13,285	14,135	15,040
Debt impairment	3	11,354	11,632	2,889	11,308	11,308	-	-	15,000	15,840	16,727
Depreciation & asset impairment	2	70,504	62,269	52,591	75,048	75,048	-	-	58,000	61,248	64,678
Finance charges		669	1,248	616	609	609	-	-	750	792	836
Bulk purchases	2	56,809	91,330	73,341	73,000	93,173	-	-	108,000	114,048	120,435
Other materials	8	14,323	21,767	1,436	46,855	43,854	-	-	33,263	35,060	36,980
Contracted services		19,652	59,756	-	9,842	9,842	-	-	-	-	-
Transfers and grants		1,048	1,058	1,812	2,400	2,025	-	-	3,000	4,000	5,000
Other expenditure	4, 5	173,393	106,299	210,153	131,642	99,192	-	-	135,863	141,278	149,577
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		514,155	552,542	568,043	595,876	584,901	-	-	597,108	627,246	665,553
Surplus/(Deficit)											
Transfers recognised - capital		(136,087)	(134,484)	(133,368)	(73,612)	(69,610)	-	-	(62,937)	(7,265)	1,173
Contributions recognised - capital	6	356,340	292,808	532,768	849,317	1,004,476	-	-	1,017,176	1,153,286	1,190,974
		-	-	-	-	-	-	-	-	-	-

Contributed assets											
Surplus/(Deficit) after capital transfers & contributions											
Taxation											
Surplus/(Deficit) after taxation											
Attributable to minorities											
Surplus/(Deficit) attributable to municipality											
Share of surplus/(deficit) of associate	7										
Surplus/(Deficit) for the year											
		220,254	158,324	399,400	775,705	934,867	-	-	954,239	1,146,021	1,192,147

DC47 Sekhukhune - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - [EXCECUTIVE COUNCIL]		-	-	-	-	-	-	-	-	-	-
Vote 2 - [MUNICIPAL MANAGER]		-	-	-	-	-	-	-	-	-	-
Vote 3 - [BUDGET AND TREASURY]		-	-	-	-	-	-	-	-	-	-
Vote 4 - [CORPORATE SERVICE]		-	-	-	-	-	-	-	-	-	-
Vote 5 - [PLANING AND ECOMOIC DEVELOPMENT]		-	-	-	-	-	-	-	-	-	-
Vote 6 - [COMMUNITY SERVICE]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [INFRASTRUCTURE AND WATER SERVICES]		368,024	292,514	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	368,024	292,514	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - [EXCECUTIVE		-	-	-	-	-	-	-	-	-	-

COUNCIL]										
Vote 2 - [MUNICIPAL MANAGER]	-	-	-	200	-	-	-	-	-	-
Vote 3 - [BUDGET AND TREASURY]	-	-	-	440	335	-	-	-	-	-
Vote 4 - [CORPORATE SERVICE]	1,457	2,860	-	700	1,434	-	-	11,100	2,100	12,310
Vote 5 - [PLANING AND ECONOMIC DEVELOPMENT]	-	-	-	-	-	-	-	-	-	-
Vote 6 - [COMMUNITY SERVICE]	-	-	-	150	34	-	-	-	20,000	10,000
Vote 7 - [INFRASTRUCTURE AND WATER SERVICES]	-	-	-	847,827	1,002,473	-	-	1,006,076	1,131,186	1,168,664
Vote 8 - [NAME OF VOTE 8]	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	1,457	2,860	-	849,317	1,004,276	-	-	1,017,176	1,153,286	1,190,974
Total Capital Expenditure - Vote	369,481	295,373	-	849,317	1,004,276	-	-	1,017,176	1,153,286	1,190,974
Capital Expenditure - Standard										
Governance and administration	2,094	4,962	-	1,340	1,970	-	-	11,100	2,100	12,310
Executive and council	-	-	-	200	200	-	-	-	-	-
Budget and treasury office	297	2,062	-	440	335	-	-	-	-	-
Corporate services	1,797	2,900	-	700	1,434	-	-	11,100	2,100	12,310
Community and public safety	18,993	350	-	150	34	-	-	-	20,000	10,000
Community and social services	10,443	350	-	150	34	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-
Public safety	8,550	-	-	-	-	-	-	-	20,000	10,000
Housing	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	40,243	-	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	-
Road transport	40,243	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
Trading services	259,873	-	-	865,827	1,002,472	-	-	888,152	995,236	976,060
Electricity	4,344	-	-	-	-	-	-	-	-	-
Water	239,991	-	-	657,491	584,137	-	-	830,152	885,736	890,060

Waste water management		15,538	-		208,336	418,335			58,000	109,500	86,000
Waste management		-	-		-	-					
<i>Other</i>		-	-		-	-			117,924	135,950	192,604
Total Capital Expenditure - Standard	3	321,203	5,312	-	867,317	1,004,476	-	-	1,017,176	1,153,286	1,190,974
Funded by:											
National Government		369,481	295,373		831,717	1,002,792			1,017,176	1,153,286	1,190,974
Provincial Government		-	-		17,600	1,484					
District Municipality		-	-		-	-					
Other transfers and grants		-	-		-	-					
Transfers recognised - capital	4	369,481	295,373	-	849,317	1,004,276	-	-	1,017,176	1,153,286	1,190,974
Public contributions & donations	5	-	-			-					
Borrowing	6	-	-			-					
Internally generated funds		-	-			-					
Total Capital Funding	7	369,481	295,373	-	849,317	1,004,276	-	-	1,017,176	1,153,286	1,190,974

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 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.

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.

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.

Preparatory phase: Council adopts budget time table and IDP	Planning and Economic Development	-Section 27(1) Act 32 of 2000 -Section 21(1)	29 July 2013
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Process Plan for 2013/2014	Department/Budget and Treasury	Act 56 of 2003	
First sitting of the budget steering committee	Budget and Treasury	Section 4(1) Municipal Budgets and Reporting Regulations, 2008	30 July 2013 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 2013
Analysis Phase: 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 2013
Strategy phase: The objectives and strategies that will be used to tackle challenges of development are specified.	All internal departments of SDM, including the relevant departments from local municipalities	Section 26 (c and d) of Act 32 of 2000	31 October 2013
Public consultation process first round	Planning and Economic Development	Section 16(1) (a) Act 32 of 2000	15 December 2013
Project phase and Integration phase: Projects to implement the identified objectives and strategies are formulated	All internal departments of SDM, including the relevant departments from local municipalities	Section 26 (c and d) of Act 32 of 2000	30 February 2014
Draft IDP/Budget tabled before Council for noting	Planning and Economic Development/Budget and Treasury	Section 16(1) (a)-(d) Municipal Budgets and Reporting Regulations	30 March 2014
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 2014
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	29 May 2014
Submission of approved budget/IDP	Planning and Economic	Section 32(1) (a) Act 32 of 2000	11 June 2014

to MEC for Local Government/National and Provincial treasury and to local municipalities	Development/Budget and Treasury/Municipal Manager		
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 2014
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 2014

IDP and Service Delivery and Budget Implementation Plan

The District'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 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 2014/15 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 2014/15 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.

Financial Modelling and Key Planning Drivers

The district has in the budget year 2014/15 planned for a preparation of a 5 year financial plan. The plan will ensure that strides already taken in financial modelling is intensified.

The following key factors and planning strategies have informed the compilation of the 2013/14 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt,)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Debtor payment levels
- 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 has been taken into consideration in the planning and prioritisation process.

Community Consultation

The draft 2014/15 MTREF as tabled before Council for community consultation will be published on hard copies and will be made available at municipal offices and those of local municipalities in the district.

The municipality will engage different stakeholders and role-players including traditional leaders, community organisations, mining houses and communities in different local municipalities.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which

municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the 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 district'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

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.

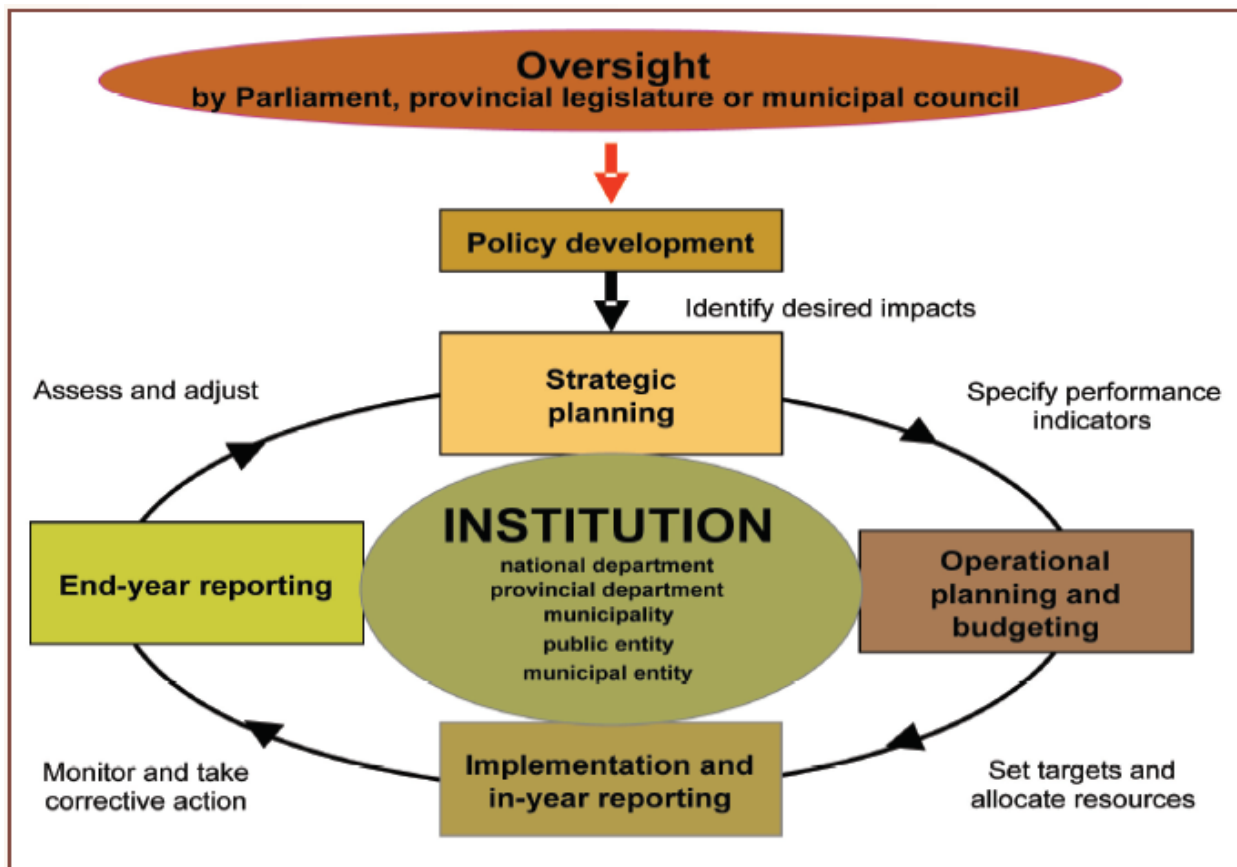
Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

- 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.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the district has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's 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. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



Planning, budgeting and reporting cycle

The performance of the district 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 district therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the district in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:

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. With the exception of water, only registered indigents qualify for the free basic services.

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).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

Providing clean water and managing waste water

The municipality is a Water Services Authority for the entire district in terms of the Water Services Act, 1997 and has entered into agreements with three locals for water service provision. The municipality is purchasing bulk water from Lepelle Northern Water and Dr JS Moroka Local Municipality.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the District in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

2.4 Overview of budget related-policies

The District's 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 cessions

An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

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 approved by Council in May 2012.

Key amended are in regard to authorisation of virement (additions) and limitations on amount of virement

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 approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation. The policy is considered up to date

Indigents Policy

Key amendments identified on the policy were on the criteria for identification as an indigent

The following policies are considered to be up to date although tabled:

- Funding and Reserve policy
- Indigent Policy
- Free Basic Water
- Budget policy

2.5 Overview of budget assumptions

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.

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 2014/15 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 water; and
- The increase in the cost of remuneration.

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage 60% of annual billings. Cash flow is assumed to be 80 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the district, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2013 and shall remain in force until 30 June 2017.

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.

2.6 Overview of budget funding

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 district derives most of its operational revenue from the provision of goods and services such as water and sanitation.

The proposed tariff increases for the 2014/15 MTREF on the water and sanitation revenue is 6%:

2.7 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 District is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Budget and Treasury. Five interns four has been appointed recently from March 2013. 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.

Service Delivery and Implementation Plan

- The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF.

Annual Report

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

Municipal manager’s quality certificate

I, municipal manager of Sekhukhune District 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 _____

Municipal manager of Sekhukhune District Municipality (DC47)

Signature _____

Date _____