

ANNUAL BUDGET
OF
GARIEP MUNICIPALITY



2014/15 -2015/16 -2016/17
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

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PART 1 – ANNUAL BUDGET

1.1 MAYOR'S REPORT

Fellow Councillors;

The Municipal Manager and his Management Team;

Ladies and Gentlemen;

It is necessary for Council to consider the approval of the budget for the 2014/2015 financial year. The budget I am presenting here today was prepared in accordance with the prescripts of the Municipal Finance Management Act, (Act 56 of 2003) and complies with Generally Recognized Accounting Practice as applicable to Local Government. The budget was compiled, taking into account the Macro-economic growth parameters and addresses the following National Policy frameworks and Provincial priorities including the following:

- Strengthening of fiscal discipline
- Incremental channelling of funds towards infrastructure development, poverty alleviation and job creation.
- Participation in expanded public works programs and labour intensive projects.
- Building of capacity for long term growth through investment in infrastructure
- Maintaining of debt levels through debtor management as well as maximizing sources of revenue.
- Focus on core service delivery activities of local government
- Securing the health of the municipal asset base by maximizing spending on repairs and maintenance, this was unfortunately substantially reduced in order to ensure a near balanced budget

The following underlying factors were also taken into consideration with the compilation of the 2014/2015 budget:

- The current socio economic circumstances of our communities and especially the high rate of unemployment
- External factors having a direct impact on the budget such as the Eskom tariff increase of 7.39% consumer inflation, the wage agreement concluded with organized labour as well as other cost factors influencing service delivery.

Expenditure for the 2014/2015 operating budget now totals to R 122 121m. It is interesting to note that Gariep's first operating budget some ten years ago was only to dream that it would be standing as this high to date. This huge increase would have been appreciated had it was equivalent to the growth in our revenue streams. The past principles of sound budgeting and good financial management that improved our area and attracted so many new residents and investors are a welcome venture for this budget going forward. For the first time, in trying to meet the challenges of our municipality, members of our municipality shall notice that our budget is activity based. This is informed as I have mentioned earlier by the challenges confronting us presently and the desire to be as realistic as possible when budgeting.

Fellow patriots

Gariep Local Municipality's budget is again task to provide sustainable and economically viable local governance to our communities. We find ourselves in a phase of a balancing act between economic recovery and the provision of affordable and sustainable, quality services to all our communities to remain high on the agenda. We find ourselves in a position where we have to continuously adapt our strategies to suit prevailing economic circumstances, as we cannot isolate ourselves from the global economy.

The employee related costs shall be R 35 007 million of the total budget, it is sufficient to allow for an expected 6,79% increase in salaries as well as the filling of all critical vacancies. We have again included all members of the ward committees in this budget, as enhancing public participation is at the core centre of our activities and we acknowledge the role played by ward committees. A clear programme and process shall have been developed by the commencement of the new financial year.

The repairs and maintenance budget increases by 6% to R 22 million of bulk services making up the majority of this vote. We are of course fortunate that this Council actively maintained and upgraded infrastructure, such as municipal buildings, electricity and roads, for many years and so our residents have far less potholes to dodge. I am however concerned by the current state of gravel roads following the storms and the proposed R6.2million towards these roads should alleviate some of the problems. The strategy of stringent debt collection together with the careful management of expenditure shall be the order of the day. Our data integrity is improving; revenue enhancement on collection is shaping in a desired path. We take note and appreciate the selflessness commitment provided by Kagiso Trust on this matter. There is a sound footing from which this Council can begin to operate, but I must warn that overcoming difficult economic times is

a process and therefore shall never be overcome just overnight. It is therefore imperative that Gariep should apply a no-nonsense approach when it comes to efficiency and waste reduction.

Fellow Patriots

You will note that the Council is proposing a Capital Budget of more than R10 427 million. This is an reduction of R11 434, million from the previous budget. Large infrastructure and community projects contained in both the capital and operational budgets for the coming year include:

- 1) Steynsburg Zinyoka Access Road : R 3 128 000.00
- 2) Burgersdorp Town Hall: R 3 128 000
- 3) Thembisa Bus Route:R 4 171 000

Infrastructure allocations towards the housing projects for all the areas of our municipality i.e. Mzamomhle, Khayamnandi and the housing rectification programme are not reflected in this budget, as costs will be carried by the Provincial Government, however; I have instructed the administration to prepare an urgent item on these housing projects so that Council can receive full information at its next meeting. The valuation roll which came into effect on 1 July 2014 is an indicator as to why properties will experience different rates increases; however the average increases for households are:

Assessment rates:6 %

Refuse Removal : 6 %

It is clear from the above tariffs that our municipality is working hard to keep increases as low as possible while still promising a high level of service. In pursuant of a better Gariep, the management are in the process of completing the process they coined as identification of cost drivers. Engagement and follow-ups meetings are on-going at relevant levels with relevant stakeholders i.e. Department of Energy, NERSA, National Treasury These increases reflect the actual change in tariffs that the municipality has to pay to Eskom.

SDBIP (SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN)

The top level service delivery and budget implementation plan is attached herewith and is an indication of service delivery targets that is set for the 2014/2015 financial year. Emphasis is placed on sustaining and improving service delivery levels and extending services to all our communities

IN CONCLUSION

The budget submitted here today is another step closer in attaining the strategic goals of the municipality which includes amongst others, institutional development and transformation, service delivery to all our communities, the financial viability and sustainability of the municipality as well as good administration and public participation.

Please allow me to express my appreciation to the following persons:

- o To all members of the council who contributed to the budget process.
- o To the Municipal Manager, Chief Financial Officer and his team for the hard work and long hours put in for the compilation of the budget.
- o To all the members of the public and stakeholders for their participation and valuable contributions in the budgeting process.

Ladies and Gentlemen, it is my privilege to present the 2014/2015 budget, inclusive of my speech to the Council for deliberation and consideration

I thank you

1.2 COUNCIL RESOLUTIONS

On 30 June 2014, the council of Gariep Local Municipality met in the Council Chambers in Mzamomhle Library Hall to approve the annual budget of the municipality for the financial year 2014/15. The Council adopted the following resolutions:

1. The Council of Gariep Local Municipality, acting in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:

RESOLVED THAT:

1. Gariep Local Municipality **resolves** that the Draft Annual Budget for the Municipality for the Financial year 2014/2015 and the two projected outer years, 2015/16 and 2016/17 **be approved**
2. All the resolutions attached to the Mayor's Report and the Accounting Officers Executive Summary **be approved**
3. Budgeted Financial Performance (Revenue and Expenditure by Standard classification) **be approved**
4. Budgeted Financial Performance (Revenue and Expenditure by Standard by Municipal vote) **be approved**
5. Budgeted Financial Performance (Revenue and Expenditure by Standard by type) **be approved**
6. That all proposed tariffs **be approved**
7. Council **resolves** that the amended budget related policies as reflected in the documentation **be approved**
8. Council **resolves to accept the tabling of** the subsidy applicable to support only poor households (registered Indigent Debtors), earning less than R 2 700 per month for the budget year 2014/15.
9. The Integrated Development Plan for 2014/15 to 2016/17 **be accepted as tabled** with amendments and alignment in the IDP and Budget and the changes in the IDP objectives.
10. The Draft Service Delivery and Budget Implementation Plan for 2014/15 **be submitted** to the Mayor.

11. All budget related policies **be considered and be approved.**

2. The Council of Gariep Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for refuse removal – as set out in Annexure C
 - 2.4. the tariffs for use of municipal amenities – as set out in Annexure D

3. The Council of Gariep Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexures E.

4. To give proper effect to the municipality's annual budget, the Council of Gariep Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2014/15 financial year limited to an amount of equal to the approved roll over per financial year of the MTREF in terms of Section 46 of the Municipal Finance Management Act.
 - 4.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 EXECUTIVE SUMMARY

Although South Africa's economy has expanded over the past years, the rate of growth has steadily declined, from 2.5 per cent of GDP in 2012 to 1.8 per cent in 2013; it is however projected to increase to 2.7 per cent in 2014, and gradually increase to 3.5 per cent by 2016. This trend reflects a confluence of unfavourable global and domestic circumstances which impact on all spheres of government. Aware of these risks, government is maintaining its expenditure ceiling and no additional funds have been added to the total expenditure announced in last year's Budget. Inflation and a nominal spending ceiling will put real budgets under pressure over the medium term, requiring all spheres of government to work more efficiently.

Municipalities will have to revise their spending plans and reprioritise funds to ensure key objectives are achieved and well-performing programmes are supported. Over the next three years, government as a whole will have to learn to do more with less. The efficiencies that are achieved will protect public finances and enable the country to accelerate development when economic conditions improve. Local government must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities. Consequently, municipal revenues and cash flows are expected to remain under pressure in 2014/15 and municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts.

The budget aims to contend with the continued pressures on household income due to inflation and unemployment, while seeking ways to continue pursuing the priorities set during the IDP reviews by finding more efficient ways to deliver services at the required service levels. In considering tariff increases, the level of inflation was given the highest priority. While tempted to keep tariffs low, given the economic conditions, cost pressure had to be kept in mind too.

Financing capital projects has become a nightmare and steps to utilize investments from previous financial years are under foot and will be a feature of financial planning in the medium term. The state of our roads requires substantial refurbishment to be done, while repairs and maintenance spending must ensure the health of infrastructure assets in water and sanitation, as well as electricity services.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (Act 56 of 2003). The Capital Budget contains new and replacement assets such as roads, buildings, landfill sites, etc. The Operating Budget, which is the larger of the two, includes the provision for services like water, electricity, refuse collection, sanitation and others. These services include employment cost and bulk purchases as a major portion of the expenditure.

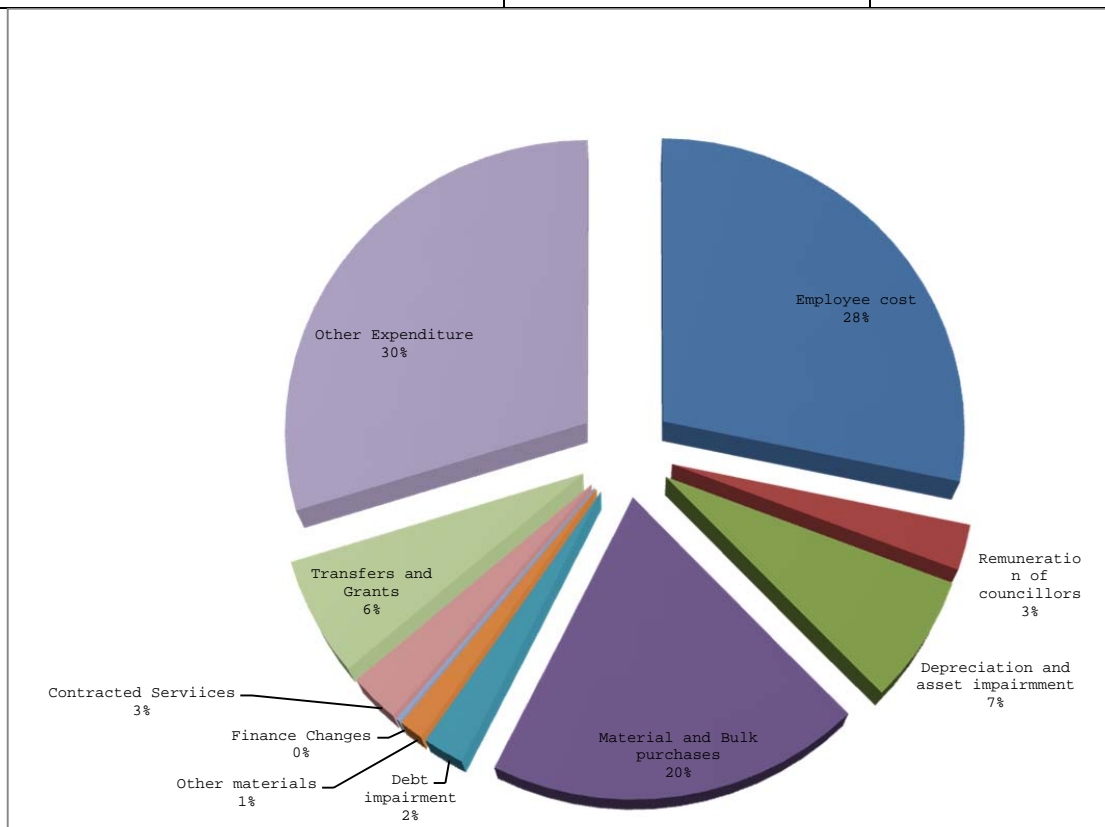
1.3.1 Operating Budget

Expenditure

The total operating budget increased from R 147 110 m in 2013/2014 to R 122 121 m in 2014/15.

Table 1: Major Expense Items

Expenditure item	2013/14 Adjustment Budget R'000	2014/15 Budget R'000
Employee cost	34 509	35 007
Remuneration of councillors	2 360	3 105
Depreciation and asset impairment	8 094	8 645
Material and Bulk purchases	40 365	24 180
Debt Impairment	1 387	2 676
Other materials	1 558	1 602
Finance Charges	240	242
Contracted Services		3 350
Transfers and Grants		8 034
Other expenditure	60 155	36 881



Reasons for significant variances:

Employee Cost: Employee related cost have increased from R 34.5 mil of 2013/2014 to R 35.0 mil due to vacant posts of Senior managers that needs to be filled

Council remuneration: Council remuneration as set out on Government gazette on upper limit for Councillors.

Repairs and maintenance: Besides the 6.2% inflationary increase, major maintenance work is to be undertaken on all municipal assets.

Depreciation and impairment: This provides for wear and tear in use of council's assets.

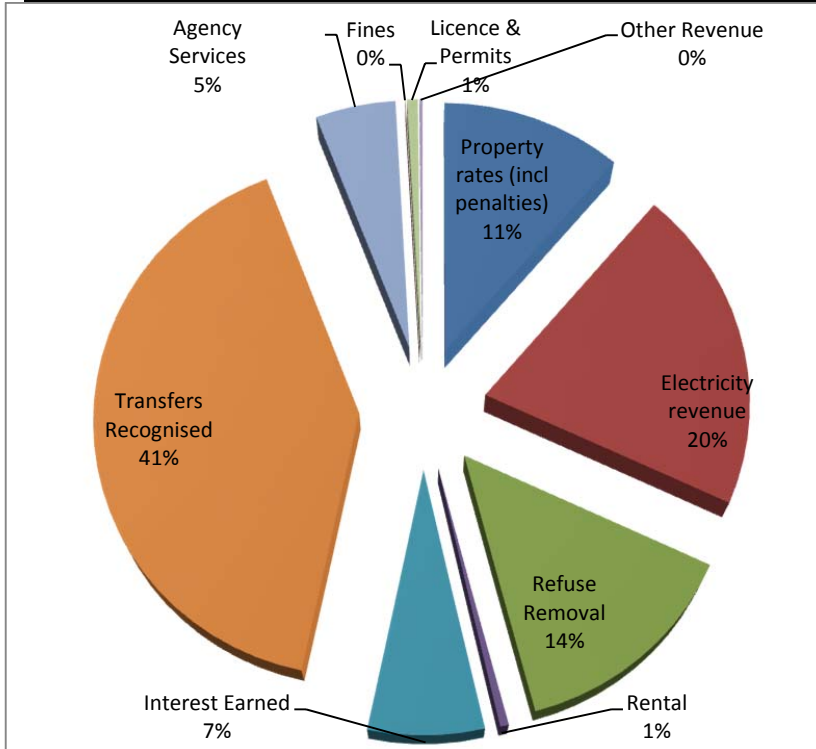
Material and Bulk Purchases: Bulk purchases have decreased from R 40 365 of 2013/2014 adjustment to R 24 180

Revenue

Total Operating Revenue increased from R 79 462 m in 2013/2014 to R 103 150 m in 2014/15. Table below gives a breakdown of the major sources of revenue for the budget period 1 July 2014 to 30 June 2015.

Table 2: Major Income Items

REVENUE	2013/14 Adjustment Budget (R'000)	2014/15 Budget(R'000)
Property rates (incl penalties)	9 025	11 221
Service charges – electricity revenue	16 274	25 142
Service charges – refuse revenue	11 166	11 792
Service charges - other		
Rental of facilities and equipment	408	365
Interest earned	5 474	5 825
Transfers recognised	32 412	31 289
Agency Services	3 999	4 272
Fines	19	20
Licence and Permits	538	689
Other Revenue	148	12 535



Service tariffs/Rates

The average increases to tariffs are at the inflation rate of 6% although revenue in the above table also includes growth in the service. Although this is a setback in the pursuit of cost reflective tariffs, the need to consider the economic conditions and general affordability guided this direction. More efficiency will have to be realized in order to bring cost down.

Rates

The growth in the rates income relates not only to the increase in the amount in the rand, which is inflation related, but mostly to the increase in the number of properties and improvements.

Electricity

The electricity tariff increases with the NERSA guideline, which is 7.39%. Nersa approval letter is attached. The municipality will adhere to the guideline set by NERSA for the first year of this budget period. The average collection rate of this service is 80 % at the end of May,

Water & Sanitation

The municipality is performing this function on district municipality's behalf.

Refuse Removal

The average tariffs as per circular 70 and 72 are 6%, but those tariffs do not cover the cost of providing the different components of the service. The tariffs for solid waste management must also take into account that, it is good practice to maintain a cash-backed reserve to cover for the future costs of rehabilitating landfill sites. The average collection rate of this service is 86 % at the end of May 2014.

Capital Budget

The capital budget decreased from R11 434 000 in 2013/14 to R 10 427 000 in 2014/15. This is mainly due to a decrease in external funding year's counter-funded MIG projects.

CAPITAL	2013/14 Budget (R'000)	Adjustment	2014/15 Budget(R'000)
Municipal Infrastructure Grant	R 11 434 000		R 10 427 000

1.3.2 MAIN FEATURES OF THE BUDGET

The assumptions and principles used in the development of the budget are based on the guidelines received from the National Treasury circulars 71 and 72, as well as other external bodies such as the National Electricity Regulator of South Africa (NERSA) and the South African Local Government Bargaining Council (SALGBC). The strategic focus of the Integrated Development Plan informed the Budget, taking into account the issue of affordability. These guidelines were considered appropriate to inform the development of the Budget.

Once again the population of the organogram has exerted immense pressure on the resources. Although the creation of decent jobs is a national priority, one has to consider the affordability and the higher than inflation salary increases in the economy. Couple this with the need to maintain the existing infrastructure while building new assets as well, and the resource base becomes minute in comparison to these demands.

This budget continues to search for a happy medium between cost recovery for trading services and affordability in a declining economy. Furthermore, the tremendous growth in the indigent population to almost half of the households in the municipality is a trend that will continue into the medium to longer term. This is aggravated by the varied perceptions among stakeholders of what "affordability" really is.

It is comforting to note that the general property valuation process started without the drama of the last one. Special attention was given to the concerns of agricultural property owners and, although still early days, fewer objections were received. The fact that the process of finalizing the valuation roll is on course to be implemented on 1 July 2014 is heartening. Final consultations with stakeholders are still on the cards to be completed by the end of April 2014.

Looking after the poor has been a feature of budgets in the modern South Africa. This budget is no different. Although affordability remains a concern in the long run, the definition of a household is also under scrutiny in Gariep area.

Although the municipality has not seen major increases to its equitable share, it is encouraging to learn that the suspicions that the population has increased have been confirmed by Census 2011. The budget related policies as outlined have been adhered to in the development of the budget, whilst continuous monitoring of budget performance is made possible through the Service Delivery and Budget Implementation Plan.

1.3.3 HIGH LEVEL PERFORMANCE OBJECTIVES FOR 2014/15

The more significant performance objectives, which informed the preparation of the Budget is set out in the Service Delivery and Budget Implementation Plan, of which a draft will be submitted to the mayor.

1.3.4 BUDGET STRATEGY AND ASSUMPTIONS

- a) Considering National Treasury's guideline for year-on-year increases in expenditure, which is the headline inflation rate of 6.2% for 2014, the annual increase for the 2013/14 tabled budget is limited to following:
 - The overall increase in operating expenditure be limited to 6.2%
 - The overall increase in human resource costs be restricted to the SALGBC determined agreement of average CPI percentage for the twelve month period ending January 2014, as published by Statistics South Africa, plus 1%. Treasury advised to budget for a 6.79% adjustment to be effected on 1 July 2014.
- b) Rates and tariff increases consider the inflation rate of 6.2%, as well as affordability levels. Where there is significant under-recovery of cost on economic services, such cost-reflective tariffs be phased in.

Budget assumptions or perimeters are determined in advance of the budget process to allow the budget to support the long term financial and strategic targets.

The municipal fiscal environment is directly impacted on by a variety of macro-economic control measures. National Treasury provides guidelines on the year-on-year budget growth, while NERSA regulates the electricity tariff increases. This year the NERSA guideline for electricity tariff

increases stands at 7.39% on municipal tariffs, and 8.06% on bulk to be introduced for implementation on 1 July 2014.

The principles and priorities included in the IDP directly informed the compilation of the Budget.

1.3.5 ANNUAL BUDGET

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/2015 budget and MTREF as approved by the Council.

The Budget tables are:

Table A1 - Budget Summary

Table A2A - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A4 - Budgeted Financial Performance (revenue and expenditure)

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

Table A5A - Budgeted Capital Expenditure by vote, standard classification and funding

Table A6 - Budgeted Financial Position

Table A7 - Budgeted Cash Flows

Table A8 - Cash backed reserves/accumulated surplus reconciliation

Table A9 - Asset Management

Table A10 - Basic service delivery measurement

PART 2 – SUPPORTING DOCUMENTS

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the IDP and 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 Gariep 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 ash Resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August) a time schedule that sets out the process to revise the IDP and prepare the budget.

KEY DEADLINES

Action Plan	Purpose	Responsible Person	Timeliness
Strategic Planning Session	Progress review, backlogs and craft strategies for the next financial year	Municipal Manager	July 2014
Setting up of IDP, Budget and PMS Steering Committees	To oversee and co-ordinate the IDP and Budget Process Plan and Performance	MM	July 2014
Develop and table process plan to Council	To secure Council approval	Mayor	August 2014
Advertise start of the IDP and Budget Process	For Public participation in accordance with section 19 of the MSA	Municipal Manager	August 2014
Submission of Annual report to the Auditor General	For auditing purposes	Municipal Manager	August 2014
Attend District Planning Session	IDP Alignment	Municipal Manager	August 2014 – March 2015
Review Sector plans in accordance with the Provincial Assessment Report	Respond to gaps identified in the Provincial IDP Assessment Report	Heads of Departments	September 2014
Engagements with Sector Departments	Agree on specific projects and programmes to be included in the next financial year	Heads of Departments	September 2014
Gariiep 1 st IDP Rep Forum	Review strategic objectives for service delivery and development for the next three year budgets, collate ideas of priority issues and project teams to discuss projects in more detail	Mayor	September 2014

Action Plan	Purpose	Responsible Person	Timeliness
District Rep Forum	Review strategic objectives for service delivery and development for the next three year budgets, collate ideas of priority issues and project teams to discuss projects in more detail	Mayor and MM	September 2014
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	September 2014
PMS Steering Committee Meeting	Performance Monitoring	Mayor	October 2014
Public Participation Outreaches	Community Engagement and IDP Review	Mayor	October 2014
Engagements with designated groups	Consultation with youth, women, ex-combatants, Disable Association and Children	Special Programs Coordinator	October 2014
Review Community Based Planning	Development of the Ward Based Plans	Municipal Manager	November 2014
IDP and Budget Steering Committee	Review of IDP	Municipal Manager	November 2014
Gariep 2 nd IDP Rep Forum	Discuss projects and Budget projections. Consolidate and prepare proposed budget and plans for three years taking into account previous year's performance	Mayor	November 2014
Review of the SDF and other old plans	To incorporate new information, trends and infrastructure plans	Director Technical Services	November 2014
District IDP Rep Forum	Discuss projects and Budget projections. Consolidate and prepare proposed budget and plans for three years taking into account previous year's performance	Mayor and MM	December 2014
Review of the SDF and other old plans	To incorporate new information, trends and infrastructure plans	Director Technical Services	November 2014

Action Plan	Purpose	Responsible Person	Timeliness
District IDP Rep Forum	Discuss projects and Budget projections. Consolidate and prepare proposed budget and plans for three years taking into account previous year's performance	Mayor and MM	December 2014
Review Financial Policies	IDP and Budget alignment	Chief Financial Officer	December 2014
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	December 2014
Mid-year Report	Second quarter performance	Mayor	25 January 2015
Budget review	Budget performance	BTO	January 2015
Annual Report Submission	Annual performance	Mayor	31 January 2015
PMS Steering Committee	Performance Discussion	Mayor	January 2015
Draft IDP 2012/13	For inputs and comments	Municipal Manager	January 2015
Draft Budget	Budget/IDP discussions	Chief Financial Officer	January 2015
Public Participation Outreaches	Draft IDP & Budget	Mayor	January 2015
IDP and Budget Steering Committee	Draft IDP & Budget discussion	Mayor	February 2015
Gariep 3 rd IDP Rep Forum	Engage provincial and national sector departments on finalization of their inputs into the municipality budget and IDP	Mayor	March 2015
District IDP Rep Forum	Engage provincial and national sector departments on finalization of their inputs into the municipality budget and IDP	Mayor and MM	March 2015
Council meeting for the Mayor to table Draft IDP and Budget for debate	Approval of draft IDP and Budget plus draft SDBIP	Council	March 2015
Development of Tariffs policy	Tariff control & changes	Chief Financial Officer	March 2015
IDP and Budget	Approved draft IDP	Mayor	March 2015

Action Plan	Purpose	Responsible Person	Timeliness
Steering Committee			
Preparation of Draft SDBIP (consolidation workshop)	Performance check and alignment	Municipal Manager	March 2015
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	March 2015
PMS and Steering Committee	Performance Discussion	Mayor	April 2015
Advertise Draft IDP and Budget	For public comments	Municipal Manager	April 2015
Send draft IDP and Budget to MEC	For comments	Municipal Manager	April 2015
Public Participation Outreaches	Draft IDP for comments	Mayor	May 2015
Gariep 4 th IDP Rep Forum	Presentation of final IDP to Sector departments (National and Provincial) and inclusion of departments final inputs	Mayor	May 2015
District IDP Rep Forum	Presentation of final IDP to Sector departments (National and Provincial) and inclusion of departments final inputs	Mayor and MM	May 2015
Attend Provincial IDP Assessment	For MEC Comments	Municipal Manager CFO IDP/PMS Manager Acting HR Manager Director Technical Services	May 2015
IDP and Budget Steering Committee Meeting	To consider final draft	Municipal Manager	May 2015
Final IDP and Budget Adopted	Council Resolution	Mayor	May 2015
Adopted IDP Published	Public notice	Municipal Manager	June 2015
Adopted IDP submitted to MEC	Compliance	Municipal Manager	June 2015
SDBIP and Draft Performance Agreements submitted	Tabled before Council for adoption	Municipal Manager	June 2015
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	June 2015
PMS Steering Committee	Performance reporting	Mayor and MM	June 2015
Adopted SDBIP published	Tabled before Council	Municipal Manager	June 2015

Action Plan	Purpose	Responsible Person	Timeliness
Adopted SDBIP submitted to Council and MEC	Compliance	Municipal Manager	June 2015

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Gariep IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure a financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF :

- Policy priorities and strategic objectives
- Improved and sustainable revenue
- Performance trends
- Cash Flow Management Strategy
- 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 50;51;55;58,70 and 72 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The members of the Public will be afforded an opportunity to express their views and comments on the documents. Comments will be considered in the final documents if necessary. The said documents will be adopted by Council at its meeting as prescribed by the legislation.

WARD(s)	DATE	VENUE	TIME
04	23/04/2014	Steynsburg Town Hall	11:00
02	23/04/2014	Khayamnandi Community Hall	14:00
04	24/04/2014	Burgersdorp Rugby Hall	17:00
03	29/04/2014	Mzamomhle Community Hall	17:00
05	24/04/2014	Thembisa Community Hall	14:00
03	23/04/2014	Eureka Community Hall	17:00
02	25/04/2014	Venterstad Town Hall	11:00
01	29/04/2014	Oviston Community Hall	11:00

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 municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Gariep Local Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality'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 (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning.

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 Gariep Local Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses 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:

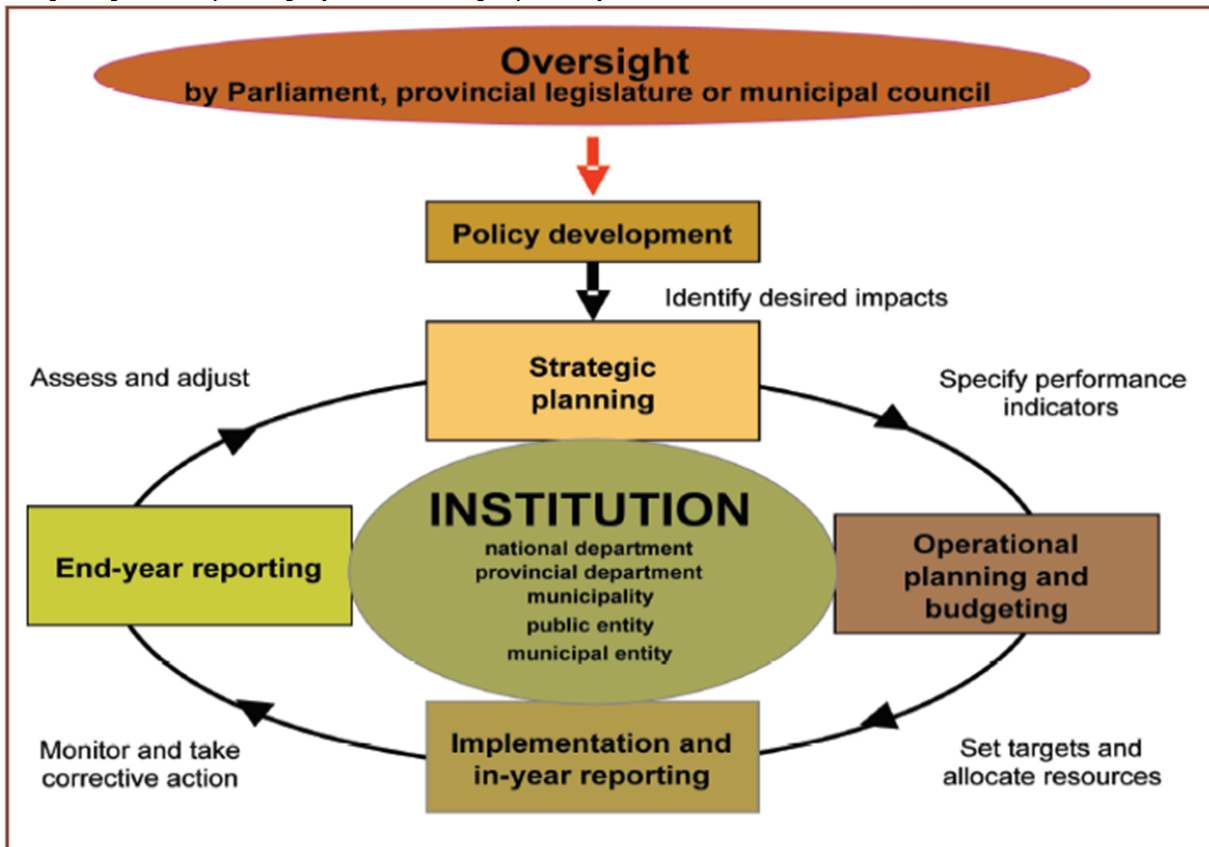


Figure 5 Planning, budgeting and reporting cycle

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

- Planning (setting goals, objectives, targets and benchmarks);
- 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 municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

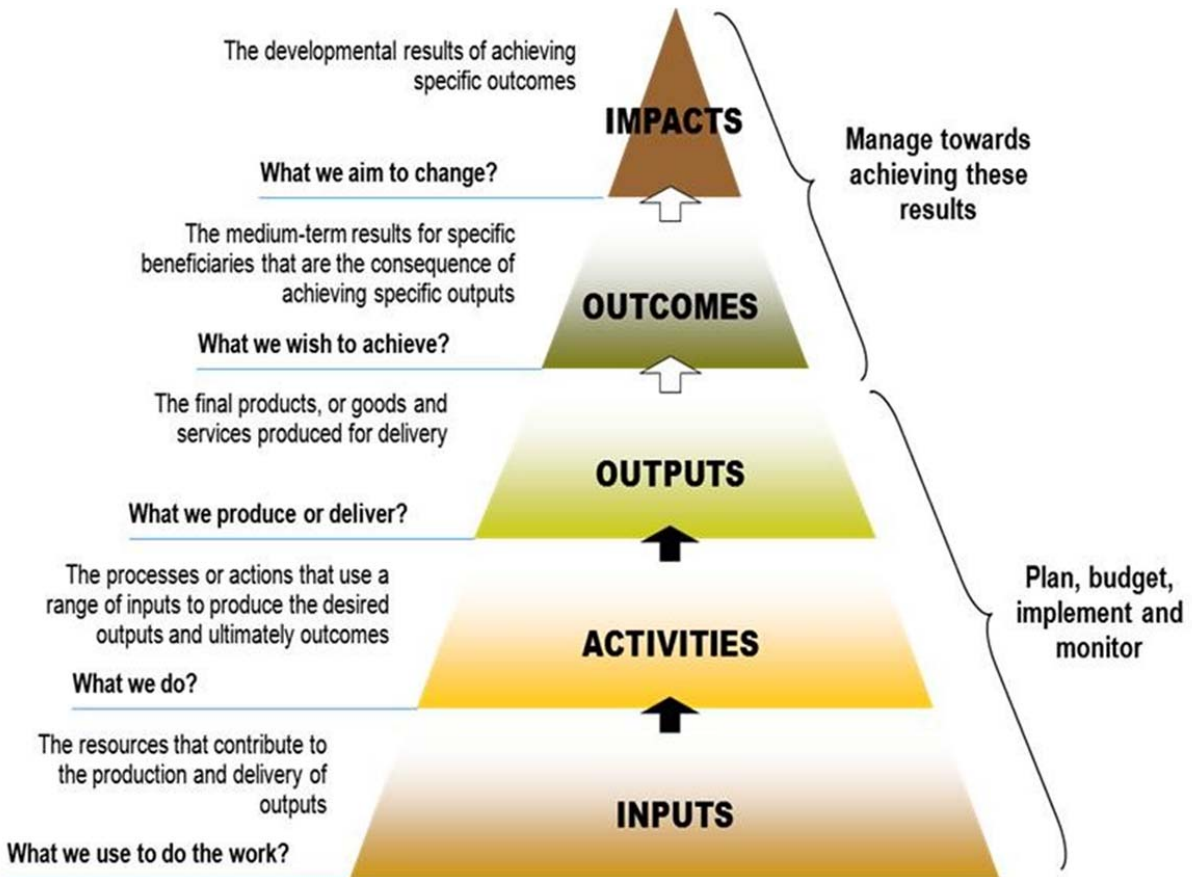


Figure 6 Definition of performance information concepts

2.3.1 Performance indicators and benchmarks**2.3.2 Free Basic Services: basic social services package for indigent households**

The municipality has a high level of indigent, in this current year an amount of not less than R21m is allocated for indigent subsidies. This is for services including electricity, refuse removal; water and sanitation.

2.4 OVERVIEW OF BUDGET RELATED-POLICIES

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

- Review of credit control and debt collection procedures/policies
- Asset Management, Infrastructure Investment and Funding Policy
- Virement Policy
- Supply Chain Management Policy

The Supply Chain Management Policy was amended and approved to comply with the latest regulations of which the amendments will be extensively consulted on.

- Budget Policy
- Cash Management and Investment Policy
- Tariff Policies
- Financial Modelling and Scenario Planning Policy
- Rates Policy
- Indigent Policy
- Unauthorised, fruitless & wasteful, Irregular Expenditure Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2013/14 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2013/14 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the budget related policies are available on the Gariep Local Municipality's website

2.5 SUPPORTING SCHEDULES

- SA 1 Supporting detail to "Budgeted Financial Performance"
- SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)
- SA3 Supporting detail to "Budgeted Financial Position"
- SA4 Reconciliation to IDP strategic objectives and budget (revenue)
- SA 5 Reconciliation to IDP Strategic objectives and budget (operating expenditure)
- SA6 Reconciliation to IDP strategic objectives and budget (capital expenditure)
- SA7 Measurable performance objectives
- SA8 Performance Indicators and benchmarks
- SA9 Social, economic and demographic statistics and assumptions
- AS10 Funding measurements
- SA11 Property rates summary
- SA 12 Property rates by category (current year and budget year)
- SA13 Service Tariffs by category
- SA14 Housing bills
- SA15 Investment particulars by type
- SA16 Investment particulars by maturity
- SA17 Borrowing
- SA18 Transfers and receipts
- SA19 Expenditure on transfers and grant programme
- SA20 Reconciliation of transfers, grant receipts and unspent funds
- SA21 Transfers and grants made by the municipality
- SA22 Summary councilor and staff benefits
- SA23 Salaries, allowances & benefits (political office bearers/councilors/senior managers)
- SA24 Summary of personnel numbers
- SA25 Budgeted monthly revenue and expenditure
- SA26 Budgeted monthly revenue and expenditure (municipal vote)
- SA27 Budgeted monthly revenue and expenditure (standard classification)
- SA28 Budgeted monthly Capital Expenditure (municipal vote)
- SA29 Budgeted monthly Capital expenditure (standard classification)
- SA30 Budgeted Monthly cash flow
- SA31 Entities not required
- SA32 Lost of external mechanisms
- SA33 Contracts having future budgetary implications
- SA34a Capital expenditure on new assets by asset class
- SA34b Capital expenditure on the renewal of existing assets by asset class
- AS34c Repairs and maintenance expenditure by asset class
- AS35 Future financial implications on the capital budget
- SA36 Detailed capital budget
- SA37 Projects delayed from previous financial years



Gariep Local Municipality

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BUDGET QUALITY CERTIFICATE

I, Thembinkosi Athwell Mawonga, Municipal Manager of Gariep 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.

T A Mawonga

Municipal Manager of Gariep Municipality (EC 144)

Signature

Date30 /06/2014.....