

ANNUAL BUDGET
OF
GARIEP MUNICIPALITY



**2016/2017 MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS (MTREF)**

FINAL

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PART 1 – ANNUAL BUDGET**1.1 MAYOR'S REPORT**

Fellow Councillors;

The Municipal Manager and Management Team;

Ladies and Gentlemen;

It is my pleasure to provide some remarks as we table our last budget as Gariep Municipality. To begin I would like to thank members of council again for their insight and input into the budget process. I appreciate them in passing along priorities on behalf of their wards. Whilst we are not immune to the economic downturn and challenges faced by all levels of government we need to take careful steps to weather the storm. Today we are tabling a budget that proposes different percentages of tax revenue increases though the national CPI has been publicised. Our increase may appear as not convincing but are cost recovery.

It is necessary for Council to consider the approval of the budget for the 2016/2017 financial year. The timing of tabling this budget is both crucial and historic. It is crucial in the sense that 2016 is a year in which our communities will get another opportunity to elect their representatives in municipalities all over the country. The right to elect public representatives is a fundamental right that is enshrined in the Constitution. It is historic because it is the last budget that will ever be presented for Gariep Local Municipality as we know it. After the 2016 local government election on the 03rd of August, we will merge with Maletswai Local Municipality to form Walter Sisulu Local Municipality.

Over the past few years, the global economic crisis had deepened and this exposed external vulnerabilities and the internal constraints that limit its economic growth. As such, the projected GDP growth has been revised down to 0.9% for 2016. Our past inadequacies that have resulted lower commodity prices, constrained electricity supply and drought have also contributed to the economic hardships that confront our people today. With South Africa on the verge of being downgraded to junk status by the rating agencies, it has become imperative that government, at all levels, work in a collaborative manner to ensure that the limited resources at our disposal are employed to maximally benefit our communities. I have observed the latest budget circulars that have been published by national government in giving direction to the state priorities.

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 the related Municipal Budget and Reporting Regulations of 2009. The budget has been prepared, taking into account the following growth parameters:

- Strengthening of fiscal discipline;
- Incremental channelling of funds towards infrastructure development, poverty alleviation and local economic development;
- Participation in expanded public works programs and labour intensive projects.
- Building of capacity for long term growth through investment in infrastructure;
- Focus on core service delivery activities of local government.

The following underlying factors were also taken into consideration with the compilation of the 2016/2017 budget:

- The current socio economic circumstances of our communities and especially the high rate of unemployment in our Joe Gqabi district;
- External factors having a direct impact on the budget such as the Eskom tariff increase of 7.6% consumer inflation, the multi-year wage agreement concluded with organized labour as well as other cost factors influencing service delivery.

The 2016/17 operating revenue now totals to R 70.2 million (excluding capital transfers) while operating expenditure is projected at R109.5 million (including non-cash items totalling approximately R20 million). This has created an unfavourable position to which the municipality has responded through significant reductions in general expenses. Unfortunately this has not succeeded to totally eradication of the operating deficit for 2016/17. This is of course, on-going and Council has committed to its gradual reduction over the medium to long term.

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.

Service delivery has taken the biggest chunk of the total capital budget of the municipality. Gariep municipality relies on government funding to finance its capital programs. That the national fiscus is under severely pressure due to the slow economic growth has resulted to a decrease in grant allocations to local government. Gariep municipality has not been spared. In this regard, R14.8 million has been appropriated for infrastructure development in respect of the 2016/17 financial year. The following areas have been identified:

- R9.8 million has been allocated to upgrade internal roads during the 2016/17 financial year. Eureka Bus Route has been identified and this project will create much needed jobs in the Burgersdorp area;

- R5 million has been allocated to upgrade electricity infrastructure in wards 1,2 and 3. This project will be also be implemented over 6 months during the 2016/17 financial year.

It is proposed that employee costs shall be R 36.4 million which is 34% of the total operating budget. This is to try and be within the accepted norm of 35.7%.

Fellow Patriots

Gariep municipality has a Constitutional obligation to provide basic services to communities in a sustainable manner with minimum interruptions. Ours is a responsibility to restore the dignity of our people by creating a better life in the communities that we serve. We have had to increase tariffs in key municipal services and this has been done observing the economic hardship that confronts our communities. The following tariff increases will come into effect from 01 July 2016:

- Refuse removal will increase by an average of 12.15% from the tariff levied during the 2015/16 financial year. This increase is informed by cost drivers and is explained further in the budget document;
- Electricity tariff will increase by 7.6% as proposed by the municipal tariff guidelines published by NERSA. My officials have submitted an application to the regulator in this regard;
- Property rates will increase by 6%;

While it is important to recover costs incurred for delivering services, Gariep municipality is still committed to cautioning poor households against the prevailing economic hardships. R8.3 million has been set aside for free basic services and qualifying households can apply for this subsidy and this amount continues to increase to R8.8 million in 2017/18 and R9.4 million in 2018/19. Our communities are encouraged to come to the municipal offices to register.

The total operating budget of the municipality is projected at R70.2 million for the 2016/17 financial year and this grows to R224.6 million over the medium term. Repairs and maintenance of infrastructure assets has been allocated R971 000 for 2016/17 and R2.9 million over the MTREF. While the municipality acknowledges the adverse impact of inadequate maintenance of assets over a medium to long term, financial challenges inhibit Gariep municipality from fulfilling this responsibility. This matter is getting attention from municipal leadership and will gradually improve in the next financial year.

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 2016/17 financial year. Emphasis is placed on sustaining and improving service delivery levels and extending services to all our communities.

IN CONCLUSION

The 2016/17 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:

- To all members of the council who contributed to the budget process.
- To the Municipal Manager and his team for the hard work and long hours put in for the compilation of the budget.
- 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 2016/17 budget, inclusive of my speech to the Council for deliberation and consideration

I thank you

CLR: NW NGOQO

MAYOR: GARIEP LOCAL MUNICIPALITY

1.2 COUNCIL RESOLUTIONS

On 21 June 2016, the council of Gariep Local Municipality met in in Town Library Hall to consider the adoption of annual budget for the 2016/17 financial year. The Council approved and adopted the following resolutions:

1. The Council of Gariep Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:

- 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

RESOLVED THAT:

1. Gariep Local Municipality **resolves** that the Annual Budget for the Municipality for the Financial year 2016/2017 and the two projected outer years, 2017/18 and 2018/19 **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 approve** the subsidy applicable to support only poor households (registered Indigent Debtors), earning less than R 2 740 per month for the budget year 2016/17.
9. The Integrated Development Plan for 2016/17 to 2018/19 **be approved** with amendments and alignment in the IDP and Budget and the changes in the IDP objectives.
10. The **final Service Delivery and Budget Implementation Plan (SDBIP)** for 2016/17 **be submitted** to the Mayor by no later than 14 days from the date of this approval.
11. Council resolves **to take note** of Circular 82 published by National Treasury and undertake to monitor cost containment measures as proposed thereon.
12. 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 2017:
 - the tariffs for property rates – as set out in Annexure A,
 - the tariffs for electricity – as set out in Annexure B
 - the tariffs for refuse removal – as set out in Annexure C
 - the tariffs for use of municipal amenities – as set out in Annexure D
13. 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 2017 the tariffs for other services, as set out in Annexures E.

1.3 EXECUTIVE SUMMARY

The South African economy is expected to grow by 1.5 per cent in 2015, 1.7 per cent in 2016 and 2.6 per cent in 2017. Domestic inflation is lower, largely as a result of declining oil prices. However, the depreciation of the Rand and the current drought gripping many parts of the country, however, pose some risk to the inflation outlook.

Furthermore the electricity supply shortages pose the largest domestic risk to growth. 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.

The municipality is currently without a Chief Financial Officer while facing the pending merger with neighbouring Maletswai municipality. The demarcation process has put a moratorium on new appointments and as such, the municipality will continue to have vacancies in the Finance department until the merger has been finalised.

The revenue base of our municipal area continues to shrink due to high unemployment rate and the suffering economy. Our communities are unable to pay for the municipal services that we are compelled to provide to them and we are forced to subsidize them as indigents. Despite these challenges, Gariep has kept to its primary objectives that are underpinned by the following values:

- Protection of poor households from the impact of economic melt-down. In this regard, the municipality continues to provide free basic subsidies for indigent households. Council has approved a threshold of R2 740 household income and this amount is equivalent to two old age grants;
- Infrastructure development throughout the municipal area. R14.8 million has been allocated to internal roads and upgrade of electricity infrastructure;

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 2016/17 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.

Council has resolved to embrace Circular 82 published by the National Treasury. Some of our budget related policies such as cellphone policy, subsistence and travelling policy, etc have been reviewed to take into account the proposed threshold by National Treasury.

Tariffs have increased by 6% on average and electricity will increase in line with the guidelines published by NERSA which effectively approve a 7.6% increase year-on-year by municipalities. More than R8 million has been set aside to subsidize indigent households during the 2016/17 financial year.

The municipality has budgeted for a deficit over the MTREF and this matter is receiving the attention it deserves from leadership. Repairs and maintenance have been allocated at less than 1% of total operating expenditure and this is far below the threshold proposed by Treasury guidelines. This puts service delivery at risk of interruptions and Council has resolved that the matter be looked into in the next budget cycle.

2. OPERATING BUDGET

The total operating revenue budget of the municipality in respect of 2016/17 is R70.2 million while total operating expenditure is projected R109.5 million. Of the total operating expenditure R20 million is in respect of non-cash items such as depreciation and debt impairment.

The municipality has budgeted for an operating deficit over the MTREF. This matter is receiving urgent attention from the municipality. In an effort to curb the deficit, the municipality has significantly reduced its general expenditure from the amount budgeted and incurred during the 2015/16 financial year.

EC144 Gariep - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13			2013/14			2014/15			Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19						
Revenue By Source																	
Property rates	2	6 292	7 637	6 511	7 996	4 751	4 751	-	9 478	10 436	11 051						
Property rates - penalties & collection charges			35														
Service charges - electricity revenue	2	10 462	11 222	16 148	50 251	20 646	20 646	(653)	16 099	17 072	18 841						
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-						
Service charges - sanitation revenue	2	(1)	-	-	-	-	-	-	-	-	-						
Service charges - refuse revenue	2	10 399	11 864	7 057	7 835	6 707	6 707	(577)	6 573	6 768	6 406						
Service charges - other		-	0	(3)	-	0	0										
Rental of facilities and equipment		132	188	123	48	113	113		43	46	48						
Interest earned - external investments		87	182	140	241	192	192		205	218	230						
Interest earned - outstanding debtors		6 065	2 620	7 244	6 139	4 116	4 116		4 388	4 660	4 935						
Dividends received																	
Fines		22	14	5	9	6	6		10	11	12						
Licences and permits		1 156	-	-	415	564	564		1 547	1 643	1 739						
Agency services		8 421	3 169	1 807	5 116	5 116	5 116		500	531	562						
Transfers recognised - operational		33 954	27 422	28 069	32 578	43 208	43 208		30 363	27 744	31 541						
Other revenue	2	236	427	388	435	6 315	6 315	-	1 061	5 799	4 109						
Gains on disposal of PPE		-	-	-	-	1 527	1 527										
Total Revenue (excluding capital transfers and contributions)		77 224	64 781	67 488	111 064	93 260	93 260	(1 230)	70 266	74 926	79 475						
Expenditure By Type																	
Employee related costs	2	32 806	33 797	34 818	38 887	38 696	38 696	-	37 609	40 546	42 938						
Remuneration of councillors		2 843	2 853	2 960	3 111	3 927	3 927		3 356	3 564	3 774						
Debt impairment	3	8 376	4 268	8 538	2 805	1 552	1 552		2 990	3 093	3 196						
Depreciation & asset impairment	2	12 193	16 645	16 478	9 060	18 088	18 088		17 018	18 074	19 140						
Finance charges		2 409	4 872	5 437	1 066	-	-		82	87	92						
Bulk purchases	2	19 070	15 165	19 674	27 329	-	-		17 056	18 113	19 182						
Other materials	8	1 344	372	1 295	169	581	581										
Contracted services		-	11 631	6 843	1 951	503	503		1 118	1 187	1 257						
Transfers and grants		216	354	2 424	17 602	-	-		8 310	8 857	9 428						
Other expenditure	4, 5	19 235	8 591	9 256	32 755	72 176	72 176		21 982	20 173	21 393						
Loss on disposal of PPE		-	-	-	-	-	-										
Total Expenditure		98 493	98 547	107 723	134 734	135 523	135 523	-	109 521	113 693	120 401						
Surplus/(Deficit)		(21 269)	(33 767)	(40 235)	(23 670)	(42 263)	(42 263)	(1 230)	(39 255)	(38 767)	(40 926)						
Transfers recognised - capital		12 044	16 103	11 976	10 630	10 000	10 000		15 319	9 200	9 611						
Contributions recognised - capital	6	-	-	-	-	-	-		-	-	-						
Contributed assets		-	-	-	-	-	-		-	-	-						
Surplus/(Deficit) after capital transfers & contributions		(9 225)	(17 664)	(28 259)	(13 041)	(32 263)	(32 263)	(1 230)	(23 936)	(29 567)	(31 315)						
Taxation																	
Surplus/(Deficit) after taxation		(9 225)	(17 664)	(28 259)	(13 041)	(32 263)	(32 263)	(1 230)	(23 936)	(29 567)	(31 315)						
Attributable to minorities																	
Surplus/(Deficit) attributable to municipality		(9 225)	(17 664)	(28 259)	(13 041)	(32 263)	(32 263)	(1 230)	(23 936)	(29 567)	(31 315)						
Share of surplus/ (deficit) of associate	7																
Surplus/(Deficit) for the year		(9 225)	(17 664)	(28 259)	(13 041)	(32 263)	(32 263)	(1 230)	(23 936)	(29 567)	(31 315)						

2.1. OPERATING REVENUE

The total operating revenue for 2016/17 is projected at R70.2 million. Operational grants from national government will constitute 43.2% of the total operating revenue while service charges account for 32.2%.

Property rates in respect of the 2016/17 financial year have been projected at R9.4 million. The municipality has implemented its valuation roll in 2014 and supplementary valuations are done on an annual basis.

2.2. OPERATING EXPENDITURE

The total operating budget for the 2016/17 financial year has been projected at R109.5 million. Employee related costs totals R37.6 million and constitute 34.3% of the total operating expenditure. General expenses have been significantly reduced from R72 million in 2015/16 to R21.9 million projected for 2016/17. R17 million has been expropriated for bulk purchases in respect of electricity.

The municipality has allocated R8.3 million for free basic services. The allocated amount relates to the 2016/17 financial year and is meant to benefit indigent households throughout the municipal area. R971 000 has been allocated towards repairs and maintenance. The municipality acknowledges that this amount is not adequate to sustain the life span of assets. Barring financial challenges, this area has been identified as another priority going forward.

3. SERVICE TARIFFS/RATES

The average increases to tariffs are at the inflation rate of 6%, although revenue in the tables below also includes growth in the service. 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.

3.1. REFUSE REMOVAL

The average tariffs as per circular 78 and 79 are 6%, but those tariffs do not cover the cost of providing the different components of the service. In this case the municipality aimed at 12 % increase for the 2016/17.

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.

Table 1 : Tariff schedule for refuse removal

DESCRIPTION	ITEM	2015/2016	2016/2017	Increment
		GARIEP	GARIEP	
REFUSE REMOVAL	RESIDENTIAL/WELFARE/CRESHES/INDIGENT	128.59	146.39	1.252
REFUSE REMOVAL	RESIDENTIAL MIXED USE	154.31	175.67	1.138
REFUSE REMOVAL	BUSINESS	244.34	273.66	1.120
REFUSE REMOVAL	INDUSTRIAL	465.54	521.41	1.120
REFUSE REMOVAL	GOVERNMENT DEPARTMENTS	718.80	521.41	1.120
REFUSE REMOVAL	SPECIAL REMOVAL PER COLLECTION	128.59	144.02	1.120
REFUSE REMOVAL	Garden refuse per load		271.04	1.120
REFUSE REMOVAL	Building rubble per load/RUBBLE PER LOAD		554.40	1.120

3.2. PROPERTY RATES

The 2016/17 tariffs in respect of municipal property rates and taxes is set out under table xx below.

Table 2: tariff schedule for property

		2015/2016	2016/2017	increment
DESCRIPTION	ITEM	GARIEP	GARIEP	
PROPERTY RATES	Residential properties - Bugersdorp	0.0101176	0.01078539	1.066
PROPERTY RATES	Residential properties - Steynsburg	0.0101176	0.01078539	1.066
PROPERTY RATES	Residential properties - Venterstad	0.0101176	0.01078539	1.066
PROPERTY RATES	Residential properties - Oviston	0.0101176	0.01078539	1.066
PROPERTY RATES	Residential properties mixed use	0.0157865	0.01682840	1.066
PROPERTY RATES	Commercial/Business properties - Old Gariep	0.0022137	0.00235981	1.066
PROPERTY RATES	Agricultural properties used for agricultural purpose	0.0011841	0.00126223	1.066
PROPERTY RATES	State-owned properties that provide local services	0.0290576	0.03097541	1.066
PROPERTY RATES	Vacant properties - Old Gariep	0.0210498	0.02243911	1.066

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.

3.3. ELECTRICITY

The electricity tariff increases with the NERSA guideline, which is 7.6%. The municipality will adhere to the guideline set by NERSA for this budget period.

4. CAPITAL BUDGET

The capital budget of Gariep municipality is reflected in table XX below.

Table 2: 2016/17 Capital budget

Gariep Local Municipality

2016/17 Annual Budget and MTREF

EC144 Gariep - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard											
Governance and administration		-	2 004	153	1 000	1 000	1 000	-	-	-	-
Executive and council					1 000	1 000	1 000				
Budget and treasury office			2 004	153							
Corporate services											
Community and public safety		2 609	77	-	4 630	4 630	4 630	-	-	-	-
Community and social services		2 609	77		4 630	4 630	4 630				
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		15 728	8 501	9 969	6 000	16 000	16 000	-	9 803	8 740	9 131
Planning and development											
Road transport		15 728	8 501	9 969	6 000	16 000	16 000		9 803	8 740	9 131
Environmental protection											
Trading services		-	-	-	-	5 000	5 000	-	5 000	-	-
Electricity						5 000	5 000		5 000		
Water											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Standard	3	18 336	10 583	10 122	11 630	26 630	26 630	-	14 803	8 740	9 131
Funded by:											
National Government		15 390	8 578	9 969	10 630	10 630	10 630		14 803	8 740	9 131
Provincial Government											
District Municipality						15 000	15 000				
Other transfers and grants											
Transfers recognised - capital	4	15 390	8 578	9 969	10 630	25 630	25 630	-	14 803	8 740	9 131
Public contributions & donations	5	2 946									
Borrowing	6										
Internally generated funds			2 004	153	1 000	1 000	1 000				
Total Capital Funding	7	18 336	10 583	10 122	11 630	26 630	26 630	-	14 803	8 740	9 131

Gariep municipal council has resolved to ring-fence its capital budget for 2016/17 towards infrastructure development. In this regard, the total capital budget of R14.8 million in respect of 2016/17 will be directed towards infrastructure projects. The municipality has identified internal roads and upgrade of electricity infrastructure within the municipal area.

The capital budget is funded by government grants. This demonstrates the level of reliability on government grants by Gariep municipality.

5. GRANT FUNDING

Table 3 reflects grants allocated to Gariep municipality by National and Provincial government.

Gariep Local Municipality

2016/17 Annual Budget and MTREF

EC144 Gariep - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		28 337	29 148	30 030	31 431	31 431	31 431	29 166	31 121	33 087
Local Government Equitable Share		24 997	25 608	26 296	27 626	27 626	27 626	26 040	27 654	29 286
Finance Management		1 500	1 650	1 800	1 875	1 875	1 875	1 957	2 225	2 486
Municipal Systems Improvement		840	890	934	930	930	930			
EPWP Incentive		1 000	1 000	1 000	1 000	1 000	1 000	1 169	1 242	1 315
Other transfers/grants [insert description]										
Provincial Government:		1 235	5 764	1 259	1 147	1 147	1 147	1 197	1 197	1 266
DEDEA-EPWP			2 000							
Sport and Recreation		1 147	1 147	1 147	1 147	1 147	1 147	1 197	1 197	1 266
Local Government Support		88	117	112						
Local Government Support(LED)Capacity			2 500							
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
Joe Gqabi dm										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	29 572	34 912	31 289	32 578	32 578	32 578	30 363	32 318	34 353
Capital Transfers and Grants										
National Government:		12 044	11 434	10 976	11 189	15 189	15 189	15 319	9 200	9 611
Municipal Infrastructure Grant (MIG)		12 044	11 434	10 976	11 189	15 189	15 189	10 319	9 200	9 611
Integrated National Electrification Programme							5 000			
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	15 000	15 000	-	-	-
Joe Gqabi dm						15 000	15 000			
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	12 044	11 434	10 976	11 189	30 189	30 189	15 319	9 200	9 611
TOTAL RECEIPTS OF TRANSFERS & GRANTS		41 616	46 346	42 265	43 767	62 767	62 767	45 682	41 518	43 964

The total grants allocation to Gariep municipality R45.6 million and these grants are from national and provincial departments. This grant information has been sourced from 2016 Division of Revenue Act and the Provincial Gazette published by Provincial Treasury.

6. CASH FLOW PROJECTION

EC144 Gariep - Table A7 Budgeted Cash Flows

Description	Ref	2012/13			2013/14			2014/15			Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19						
CASH FLOW FROM OPERATING ACTIVITIES																	
Receipts																	
Property rates, penalties & collection charges			5 658	4 487	5 597	5 597	5 597		9 478	10 436	11 051						
Service charges		55 402	21 850	12 316	40 660	40 660	40 660		22 672	23 840	25 247						
Other revenue			4 429	9 612	6 023	6 023	6 023		3 161	8 030	6 471						
Government - operating	1	42 864	28 523	23 028	32 578	32 578	32 578		30 363	27 744	31 541						
Government - capital	1		11 976	13 937	10 630	10 630	10 630		15 319	9 200	9 611						
Interest		87	182	140	4 539	4 539	4 539		4 592	4 877	5 165						
Dividends					-				-	-	-						
Payments																	
Suppliers and employees		(84 005)	(53 987)	(44 299)	(104 202)	(104 202)	(104 202)		(84 759)	(78 347)	(85 031)						
Finance charges		(2 409)	(4 872)	(5 437)	(264)	(264)	(264)		(82)	(87)	(92)						
Transfers and Grants	1			(2 424)	(17 602)	(17 602)	(17 602)		(8 310)	(8 857)	(9 428)						
NET CASH FROM/(USED) OPERATING ACTIVITIES		11 939	13 760	11 359	(22 041)	(22 041)	(22 041)	-	(7 566)	(3 164)	(5 466)						
CASH FLOWS FROM INVESTING ACTIVITIES																	
Receipts																	
Proceeds on disposal of PPE									-	-	-						
Decrease (Increase) in non-current debtors									-	-	-						
Decrease (increase) other non-current receivables									-	-	-						
Decrease (increase) in non-current investments									-	-	-						
Payments																	
Capital assets		(13 278)	(10 583)	(10 122)	(10 630)	(10 630)	(10 630)		(15 319)	(9 200)	(9 611)						
NET CASH FROM/(USED) INVESTING ACTIVITIES		(13 278)	(10 583)	(10 122)	(10 630)	(10 630)	(10 630)	-	(15 319)	(9 200)	(9 611)						
CASH FLOWS FROM FINANCING ACTIVITIES																	
Receipts																	
Short term loans									-	-	-						
Borrowing long term/refinancing									-	-	-						
Increase (decrease) in consumer deposits									-	-	-						
Payments																	
Repayment of borrowing		(889)	(2 712)	(1 822)	(330)	(330)	(330)		(410)	(436)	(461)						
NET CASH FROM/(USED) FINANCING ACTIVITIES		(889)	(2 712)	(1 822)	(330)	(330)	(330)	-	(410)	(436)	(461)						
NET INCREASE/(DECREASE) IN CASH HELD		(2 228)	466	(585)	(33 000)	(33 000)	(33 000)	-	(23 295)	(12 800)	(15 538)						
Cash/cash equivalents at the year begin:	2	3 112	884	1 350					765	(22 530)	(35 330)						
Cash/cash equivalents at the year end:	2	884	1 350	765	(33 000)	(33 000)	(33 000)	-	(22 530)	(35 330)	(50 869)						

The 2016/17 budget of Gariep shows a cash-shortage of R22.5 million. The municipality will have to monitor its cash flow closely during the 2016/17 financial year.

7. THE ANNUAL BUDGET TABLES ARE ATTACHED TO THIS DOCUMENT AS TABLES A1 TO A 10.

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

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 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 2015) 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 2016
Setting up of IDP, Budget and PMS Steering Committees	To oversee and co-ordinate the IDP and Budget Process Plan and Performance	MM	July 2016

Action Plan	Purpose	Responsible Person	Timeliness
Develop and table process plan to Council	To secure Council approval	Mayor	August 2016
Advertise start of the IDP and Budget Process	For Public participation in accordance with section 19 of the MSA	Municipal Manager	August 2016
Submission of Annual report to the Auditor General	For auditing purposes	Municipal Manager	August 2016
Attend District Planning Session	IDP Alignment	Municipal Manager	August 2016 – March 2017
Review Sector plans in accordance with the Provincial Assessment Report	Respond to gaps identified in the Provincial IDP Assessment Report	Heads of Departments	September 2016
Engagements with Sector Departments	Agree on specific projects and programmes to be included in the next financial year	Heads of Departments	September 2016
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
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 2016
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	September 2016
PMS Steering Committee Meeting	Performance Monitoring	Mayor	October 2016
Public Participation Outreaches	Community Engagement and IDP Review	Mayor	October 2016
Engagements with designated groups	Consultation with youth, women, ex-combatants, Disable Association and Children	Special Programmes Coordinator	October 2016

Action Plan	Purpose	Responsible Person	Timeliness
Review Community Based Planning	Development of the Ward Based Plans	Municipal Manager	November 2016
IDP and Budget Steering Committee	Review of IDP	Municipal Manager	November 2016
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 2016
Review of the SDF and other old plans	To incorporate new information, trends and infrastructure plans	Director Technical Services	November 2016
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 2016
Review of the SDF and other old plans	To incorporate new information, trends and infrastructure plans	Director Technical Services	November 2016
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 2016
Review Financial Policies	IDP and Budget alignment	Chief Financial Officer	December 2016
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	December 2016
Mid-year Report	Second quarter performance	Mayor	25 January 2017
Budget review	Budget performance	BTO	January 2017
Annual Report Submission	Annual performance	Mayor	31 January 2017
PMS Steering Committee	Performance Discussion	Mayor	January 2017
Draft IDP 2016/17	For inputs and comments	Municipal Manager	January 2017

Action Plan	Purpose	Responsible Person	Timeliness
Draft Budget	Budget/IDP discussions	Chief Financial Officer	January 2017
Public Participation Outreaches	Draft IDP & Budget	Mayor	January 2017
IDP and Budget Steering Committee	Draft IDP & Budget discussion	Mayor	February 2017
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 2017
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 2017
Council meeting for the Mayor to table Draft IDP and Budget for debate	Approval of draft IDP and Budget plus draft SDBIP	Council	March 2017
Development of Tariffs policy	Tariff control & changes	Chief Financial Officer	March 2017
IDP and Budget Steering Committee	Approved draft IDP	Mayor	March 2017
Preparation of Draft SDBIP (consolidation workshop)	Performance check and alignment	Municipal Manager	March 2017
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	March 2017
PMS and Steering Committee	Performance Discussion	Mayor	April 2017
Advertise Draft IDP and Budget	For public comments	Municipal Manager	April 2017
Send draft IDP and Budget to MEC	For comments	Municipal Manager	April 2017
Public Participation Outreaches	Draft IDP for comments	Mayor	May 2017
Gariep 4 th IDP Rep Forum	Presentation of final IDP to Sector departments (National and Provincial) and inclusion of departments final inputs	Mayor	May 2017

Action Plan	Purpose	Responsible Person	Timeliness
District IDP Rep Forum	Presentation of final IDP to Sector departments (National and Provincial) and inclusion of departments final inputs	Mayor and MM	May 2017
Attend Provincial IDP Assessment	For MEC Comments	Municipal Manager CFO IDP/PMS Manager Acting HR Manager Director Technical Services	May 2017
IDP and Budget Steering Committee Meeting	To consider final draft	Municipal Manager	May 2017
Final IDP and Budget Adopted	Council Resolution	Mayor	May 2017
Adopted IDP Published	Public notice	Municipal Manager	June 2017
Adopted IDP submitted to MEC	Compliance	Municipal Manager	June 2017
SDBIP and Draft Performance Agreements submitted	Tabled before Council for adoption	Municipal Manager	June 2017
SDBIP Reporting	Quarterly report	Heads of Departments Middle Managers	June 2017
PMS Steering Committee	Performance reporting	Mayor and MM	June 2017
Adopted SDBIP published	Tabled before Council	Municipal Manager	June 2017
Adopted SDBIP submitted to Council and MEC	Compliance	Municipal Manager	June 2017

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 draft 2016/17 MTREF, extensive financial modelling was undertaken to ensure a financial sustainability. The following key factors and planning strategies have informed the compilation of the draft 2016/17 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 78 and 79 has been taken into consideration in the planning and prioritisation process.

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 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 target, 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:

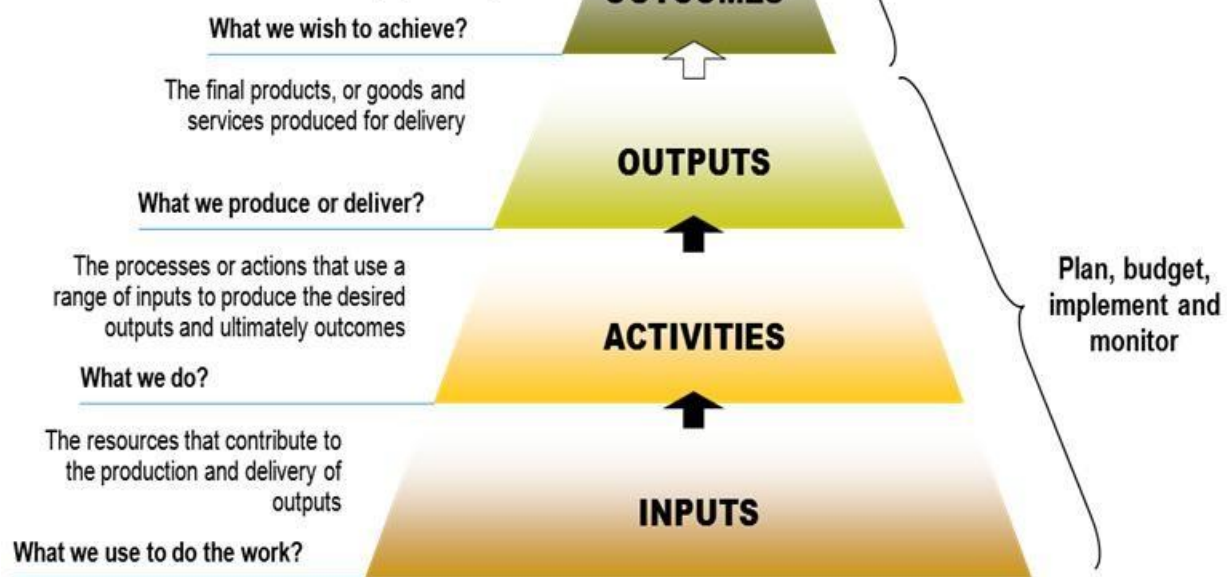


Figure 6 Definition of performance information concepts

2.4 OVERVIEW OF BUDGET RELATED-POLICIES

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

2.4.1 Review of credit control and debt collection procedures/policies

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

2.4.3 Budget Adjustment Policy

2.4.4 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.

2.4.5 Budget and Virement Policy

2.4.6 Cash Management and Investment Policy

2.4.7 Tariff Policies

2.4.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2016/17 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 2016/17 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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DRAFT 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

Date