

# SCHEDULE A

## AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION

DRAFT ANNUAL BUDGET OF

# **MBHASHE LOCAL MUNICIPALITY**

2018/19 TO 2020/21

MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS (MTREF)

# Part 1 – Annual Budget

## 1.1 Mayor's Report

In his State of the Nation Address on the 16<sup>th</sup> February 2018, President Cyril Ramaphosa echoed that we should honour 30% of procurement allocation to SMMEs, Co-ops and township businesses. Therefore we must strive to grow our local suppliers by investing in SMME incubation programmes.

In this IDP and Budget I want to emphasize that, we cannot expect to do the same old things and expect different results. We need to improve the way we do things for the betterment of our communities. We need to utilize our limited resources efficiently and prioritize properly. We are entering our third year of the five year IDP that was approved in 2016/17 to end in 2022. The preparation of this budget has taken into account the guidance of Circular 89 and 91. We have observed that the municipality is struggling in terms of generating revenue from its own revenue sources. The key focus areas for the 2018/19 budget process have been the grants allocations, Municipal Standard Charts of Accounts (mSCOA) and training of municipal officials on the mSCOA. The municipality met the deadline of implementing mSCOA on the 01<sup>st</sup> July 2017 and we are now operating fully on mSCOA compliant systems.

In the past couple of years the world economy has gone through its deepest recession with the country being downgraded in junk status by the rating agencies. Economists have already cautioned of a recession, but of course that is still under speculation. Mbhashe Local Municipality is no way immune to the harsh economic realities associated with the recession and the downgrading. Therefore we must be very conservative in utilizing our resources.

The municipality is undergoing some very tough economic conditions. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of doing business smarter and accelerating service delivery.

In his last budget speech for the current administration Finance Minister said “the current budget sets out the resource plan for an intensified implementation of our National Development Plan”. This means all South Africans will gain from the economic transformation and will all share in our Constitutional democracy. The minister of finance has also emphasized the urgent need for radical transformation in the country now that needs to start at the level of local government.

Central to the NDP, is the commitment to reduce poverty and unemployment. Mbhashe Local Municipality is one of the areas with high unemployment and illiteracy rate. There is also a high infrastructure back log. This means out of our total budget of more than R345m for 2018/19 and R350m, R355m for 2019/20 and 2020/21 respectively we must create an environment for job opportunities and partner with businesses.

Premier of the Eastern Cape said in his State of the Province address, “Our success moving into the new term of government will be determined by the active participation and involvement of citizens of this Province in the programs of government. We cannot be spectators in the struggle for our own emancipation”.

Portfolio heads in this cluster which is service delivery are full time and should make sure that there will be no roll overs. It is no secret that in the last two years we have not done well in service delivery which is our core function, but to say the least there was great improvement during the 2018/19 financial year, but there is still room for more improvement.

As way of creating sustainable jobs the municipality is in the process of filling all vacancies that exist in our organogram in the next three years. For personnel cost we have budgeted an amount of R150m for the 2018/19 financial year. Portfolio head for HR and Administration should lead in making sure that working conditions are improved.

We have budgeted more than R27m under good governance in order to improve oversight and accountability. We have oversight committees that are doing well like Audit Committee, Performance Audit Committee and Municipal Public Accounts Committee. These committees should always be objections and provide advices to Council and not does a witch hunt.

One of our strength in Mbhashe is on agriculture and farming. Hence we intend to review our LED strategy in order to be able to coordinate all the resources in reducing poverty and unemployment.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mbhashe Municipality.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

I thank you

## **1.2 Budget Resolutions**

On the 29 March 2018 the Council of Mbashe Local Municipality met to consider the draft annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Mbashe 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 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position
    - 1.2.2. Budgeted Cash Flows
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
    - 1.2.4. Asset management
    - 1.2.5. Basic service delivery measurement
2. The Council of Mbashe Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the draft tariffs for 2017/18.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mbhashe municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items as outline in circular 70.

The municipality has embarked on the implementation of data cleansing report which include management of municipal leases, writing off of long outstanding and untraceable balances and implement credit control and debt collection policy. The municipality has reviewed its revenue enhancement strategy with the aim of give rise to additional sources of revenue and to grow its own revenue base. The municipality had to cut its budget due to financial constraints that were experienced during the 2017/18 financial year. These including cutting revenue by more than half to ensure that the projects for revenue that is realistic.

National Treasury's MFMA Circular No. 54, 55, 58, 59, 64, 66, 67, 70, 72, 85, 86, 89 and 91 were used to guide the compilation of the 2018/19 to 2019/20 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The ongoing difficulties in the economy;
- Reduction in equitable share and other conditional grants;
- Reduction in proceeds generated from the plant machinery;
- Aging and poorly maintained infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Increase in debtors book as a result of non-payment by rate payers;
- Discrepancies between the General Valuation roll and billing system;
- Lack of resources to fund infrastructure backlog
- mSCOA implementation and challenges within the budgeting module;
- Cutting down own revenue sources due to poor performance in the current year 2017/18

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- As per MFMA circular 85, when determining an annual tariff need to consider thee input costs of trading services, the financial sustainability considering that 90% of the budget is from grants, local economic conditions and affordability including the municipal indigent policy.
- Considered the level of services versus the associated cost (affordability).
- Revised spending plans and reprioritizes funds to ensure key objectives are achieved and well-performing programs are supported.
- Ensured that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritization of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities as indicated in circular 72.

**Table 1 Overview of the 2018/19 MTREF**

	<b>BUDGET YEAR 2018-19</b>	<b>BUDGET YEAR 2019-20</b>	<b>BUDGET YEAR 20-21</b>
TOTAL REVENUE	345 064 000	349 835 050	363 532 703
TOTAL OPERATING EXPENDITURE	286 884 951	299 846 743	318 456 399
CAPITAL EXPENDITURE	79 138 148	71 497 103	67 016 573
NON CASH ITEMS	71 010 344	74 560 861	78 288 904

The total revenue is made up of grants and subsidies which is 90% and own revenue which is made up of income derived from our tariffs. Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of Mphashe Municipality.

The expenditure listed above is fully funded from the above mentioned sources of revenue. The municipality has filled more than 90% of the vacancies during the 2016/17 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

Below is the summary of the 18/19 MTREF :Table A1



The municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the infrastructure backlog;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no plan no funding allocation can be made.
- The current agreement with the unions in terms of collective bargaining has used to inform the municipality's remuneration of employees.



## Part 2 – Supporting Documentation

### 1.4 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 all the EXCO members, Municipal Manager, Directors and senior officials of the municipality.

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

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 1.4.1 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 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

Budget templates reflecting the actual figures, forecast expenditure for the year were distributed for population of the line item details, at meetings held with HOD's and the budget office. Departments were also given guidelines funding as well as the expenditure levels.

After all that, the budget was considered by the Budget Technical Team which consists of all directors, section heads of various departments, project managers and union representatives, where areas of possible cuts were assessed. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account and inputs from the consultation process.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2017. Key dates applicable to the process were:

## SCHEDULE OF MEETINGS FOR IDP AND BUDGET PROCESS

ACTIVITY: JULY 2017 – JUNE 2018				
Preparation phase / Pre-planning				
IDP	PMS	BUDGET	DATE	
Compilation of Draft IDP, PMS and Budget Process Plan Commences			01/07/2017	Senior Manager Operations
	Development of Performance Agreements for S56 Managers		01-31/07/2017	Senior Manager Operations
Pre-planning Session, ADM District Planning Coordinating Forum			17/07/2017	IDP Practitioners
	Draft Annual Report Working Session		/07/2017	Senior Manager Operations
	Submission of Performance reports and performance information Q4 to Strategic		14/07/2017	Senior Manager Operations
	Submission of Performance reports and performance information Q4 to Internal Audit		19/07/2017	Municipal Manager
		Budget Steering Committee to discuss rollovers, savings declarations and new applications		CFO

Provincial IDP Assessments	Submission Performance Agreements for S56 Managers to Provincial Treasury	Submit to National Treasury the following documents: Quarterly budget returns, Budget locking certificate, Reviewed SDBIP for 2016/17, Grants Reports as per approved NT template, Section 66 report Section 52(d) report, Quarter 4 SCM report for 2015/16	31/07/2017	Senior Manager Operations CFO
<b>9AUGUST 2017</b>				
	Extended Management Meeting (PMS Reporting to Officer level for July 2015)		07/08/2017	Municipal Manager
	Submission of Performance Reports to Performance Audit Committee	Annual Financial Statements to Audit Committee	16/08/2017	Municipal Manager
District Coordinating Planning Forum (DCPF)			15/08/2017	IDP Practitioners
Tabling to EXCO of the Draft 2015/16 Process plan, 2014/15 Draft Annual Report and Annual Performance Report		Annual Financial Statements to EXCO	17/08/2017	Municipal Manager
ADM IGR Forum (Sector specific analysis information and prioritized local issues)			21/08/2017	Senior Manager Operations
Council Meeting - Adoption of the IDP/Budget Process Plan	Adoption of Draft Annual Report		30/08/2017	Mayor
		Annual Financial Statements and	30/08/2017	CFO and Senior Manager Operations

		Annual Performance Assessment Information Report & Draft Annual Report submitted to Auditor General Submission of Conditional Grants Unspent Rollover Application		
Advertise Process Plan on local newspaper and submit to MEC, Provincial Treasury, Auditor General and ADM			04/09/2017	Senior Manager Operations
	Extended Management Meeting PMS Reporting		04/09/2017	Municipal Manager
IGR Clusters			05-12/09/2017	Portfolio Heads
ADM DIMAFO ADM DIMAFO (Sector specific analysis information and prioritized local issues			13/09/2017	Mayor, Municipal Manager
DCPF			15/09/2017	IDP Practitioners
IDP, PMS and Budget Representative Forum to present draft IDP, PMS and Budget Process Plan 2016/17, PMS Framework and Annual Performance			20-22/09/2017	Mayor
	MPAC Roadshows – presentation of Draft Annual Report		26-28/09/2017	MPAC Committee

<p>ADM REP FORUM- (Sector specific analysis information) IGR Forum Presentation - *Assessment of existing level of development - Situational analysis *Prepare analysis information on existing services, current backlogs and identification of development priorities *Collect data from other sources, analyse impact of new information and unexpected events *Evaluate achievement of objectives and strategies *Get inputs from Sector Plan information *Assess implementation progress, overview of funding available per department (both from savings as well as internal budget and external funds)</p>			28/09/2017	Mayor/Senior Manager Operations
	<p>Audit Committee Meeting - Presentation of the Draft Annual report, AG audit status Performance report</p>		10/10/2017	Municipal Manager
	<p>EXCO - Submission of Performance reports and performance information Q1</p>		11/10/2017	Senior Manager Operations
<p>IDP/Budget/PMS Steering Committee -</p>			16/10/2017	Senior Manager Operations

Planning on Mayoral Imbizo				
	Mayoral Imbizos - Public consultations (reporting on annual performance, status of current projects and confirmation of ward priorities)		24-27/10/2017	Mayor, EXCO
		Council meeting Tabling of Section 52 Financial performance report  Submission of Quarterly budget returns	26/10/2017	Mayor  CFO
ADM IGR Forum - (Sector specific analysis information)			26/10/2017	Senior Manager Operations
IGR Clusters			01-07/11/2017	Portfolio Heads
DIMAFO			09/11/2017	Mayor
IDP Steering Committee meeting/ Technical Strategic Session – presentation of the draft situational and needs analysis	Finalisation of assessment of Annual Report by MPAC		13/11/2017	Municipal Manager
DCPF ADM - presentation of the draft situational and needs analysis and municipal priorities			14/11/2017	IDP Practitioners
IDP/ Budget Rep Forum - presentation of the draft situational and needs analysis			15-17/11/2017	Senior Manager Operations
ADM IDP/ Budget Rep Forum - presentation of the draft situational and needs analysis			22/11/2017	Mayor, IDP Practitioners
	EXCO - presentation of Oversight Report, adjustment budget	Submit process plan for review of Budget Related policies	29/11/2017	CFO

IGR Forum			30/11/2017	Mayor
Technical Strategic Session			04 -06/12/2017	Municipal Manager
	Council Meeting – Adoption of Oversight Report		13/12/2017	Mayor
	Publication of the oversight report		15/12/2017	Senior Manager Operations
	Submission of Performance reports and performance information Q2 to Strategic	Budget Steering - Analyze review of capital budget and operating projects from Directorates, Budget Adjustment	08/01/2018	Mayor Senior Manager Operations
	Performance Audi Committee		16/01/2018	Municipal Manager
Technical Strategic Session Refinement of Objectives, Strategies and Municipal priorities		compile and finalize Mid-year report, adjustment budget and Revised SDBIP	22-24/01/2018	Municipal Manager
	Submission of performance information, Q2 – mid-term performance reports to Internal Audit	Convene Exco Workshop on Midyear report, adjustment budget and Revised SDBIP	24/01/2018	Senior Manager Operations
	Special Council Meeting - Table Mid-year performance report and revised SDBIP		31/01/2018	Mayor
IGR Clusters			01-07/02/2018	Portfolio Heads
IDP/PMS/Budget Steering Committee - Reviewal of the strategies and objectives, setting up new objectives, strategies based on new priorities and budget adjustment	Extended Management Meeting PMS Reporting to Officer level for January 2016		05/02/2018	Municipal Manager
Institutional Strategic Sessions - Reviewal of the strategies and objectives, setting up new objectives, strategies based on new priorities and budget adjustment			07-09/02/2018	Mayor, Municipal Manager
IGR Forum Draft Strategies and objectives and programs,			22/02/2018	Municipal Manager

Presentation of project plans from Sector Departments				
ADM IGR Meeting			28/02/2018	Mayor
		Budget Steering Committee – discussions on Budget adjustment		Mayor
		Mid-year budget and performance assessments visit by Provincial Treasury	02/2018	
IGR Forum			01/03/2018	Mayor
ADM DCPF - Presentation of Reviewed Draft IDP 2018/19			07/03/2018	Senior Manager Operations
ADM DIMAFO (Sector specific analysis information and prioritized local issues)			08/03/2018	Mayor, Municipal Manager
IDP/Budget/PMS Rep Forum - Presentation of Reviewed Draft IDP 2017-2022			13-16/03/2018	Mayor
ADM IDP/Budget/PMS Rep Forum - Presentation of Reviewed Draft IDP 2017-2022 for adoption			14/03/2018	Mayor
Council Meeting – Tabling of Reviewed Draft IDP and Budget 2017-2022, Draft Procurement Pan, Tariffs, budget related policies for approval and Organizational Structure		Table third quarter performance report including financial performance analysis report to Council	27/03/2018	Mayor
Advertisement of the draft reviewed IDP and Budget Submission of Reviewed IDP document and			04-12/04/2018	Senior Manager Operations



Budget, to ADM, Provincial and National Treasury and the MEC for Local Government and Traditional Affairs				
IDP/Budget Roadshows - Public Comments Phase presentation of the Draft IDP and Budget to the communities for comments			04-12/04/2018	Mayor, EXCO
	Submission of Performance reports and performance information of the Q3 to Strategic		07/04/2018	Senior Manager Operations
IGR Clusters			13-20/04/2018	Portfolio Heads
	Submission of Performance reports and performance information of the Q3 to Internal Audit		10/04/2018	Senior Manager Operations
IDP/Budget/PMS Steering Committee – adjustments to the Draft IDP and Budget considering inputs from the public			24/04/2018	
ADM District Planning Coordination Forum – Finalization and presentation of Draft IDP and Budget			02/05/2018	IDP Practitioners
	Extended Management Meeting - PMS Reporting to Officer level		03/05/2018	Municipal Manager
Audit Committee – Presentation of the Final Drafts - IDP, SDBIP and Budget	Performance Audit Committee – presentation of 3 <sup>rd</sup> quarter performance reports		09/05/2018	Municipal Manager

IGR FORUM - Presentation of final Draft IDP and Budget			04/05/2018	Mayor, Municipal Manager
		Budget Steering Committee -Final Budget integration to IDP	02/05/2018	Mayor
Presentation of final Draft IDP and Budget to the IDP Steering Committee Meeting and finalization of the SDBIP			29/05/2018	Municipal Manager
ADM Council Open Day			16/05/2018	Mayor
IDP/Budget/PMS Rep Forum - Presentation of the final draft IDP and Budget			15-17/05/2018	Mayor
Council Meeting - Tabling of Final Draft IDP and Budget for approval			30/05/2018	Mayor
ADM SODA			30/05/2018	Mayor
		MTREF Budget, budget related policies, published on council website	01-03/06/2018	CFO and Senior Manager Operations
Advertisement of Final IDP, Budget and Tariffs			08/06/2018	Senior Manager Operations and CFO
	Submission of Draft SDBIP to EXCO		08/06/2018	Municipal Manager
	Presentation of the SDBIP to Mayor for approval		14/06/2018	Municipal Manager, Mayor
Facilitate printing of the IDP for 2017-2022			24/06/2018	Senior Manager Operations and CFO
	SDBIP advertised and submitted to Provincial and National Treasury & MEC for COGTA, AG & ADM		27/06/2018	Municipal Manager

### **1.4.2 IDP and Service Delivery and Budget Implementation Plan**

Mbhashe municipal IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department had to review the planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **1.4.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2018/19 MTREF, the following key factors and planning strategies were undertaken to ensure affordability and financial sustainability:

- Policy priorities and strategic objectives
- Asset management
- Economic situation (i.e inflation and debt)
- Performance trends
- The approved 2017/18, adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

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

### **1.4.4 Community Consultation**

The draft 2018/19 MTREF as tabled before Council on 29 March 2018 for community consultation was published on the newspaper, and hard copies were made available at all the unit offices and libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury and provincial treasury, and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Councillors Ward Committees were utilised to facilitate the community consultation process. The applicable dates and venues were published in the local newspapers. The consultation processes, including the specific targeting of ratepayer associations, sessions were scheduled with organised business. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request.

## **1.5 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 Mbashe, 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 Mbashe 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 Mbashe response to these requirements.

The review of the IDP focuses on the infrastructure backlog of the whole Mbashe area and also the prioritised as identified by the communities in all wards. The budget has been prepared in accordance with the IDP focusing on five national key performance areas, which are:

- Municipal transformation and development

- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the budget and SDBIP with measurable performance indicators and targets.

After the tabling of the draft budget, a series of meetings was held throughout the municipal area to consult with the public representatives, civil society, business, labour and other government departments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to a management and EXCO to find a way of attending to all the issues. Some has financial implications and some not.

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 through its budget and speed up service delivery.

IDP 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. The municipality has also aligned its budget and IDP in line with the National, provincial and district.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

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

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

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for Mphashe municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of this IDP and budget with the aim of improving.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

## **1.6 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 Performance Management, the municipality has to develop and implement a performance management system of which system must be constantly refined as the integrated planning process unfolds.

The Municipality intends to monitor, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance and cascade it downwards to all levels. This will be done by appointing a service provider to assist in this process.

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. This area needs to be strengthened in order to improve service delivery.

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

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The municipality has the following budget related policies:

- Credit control and debt collection policy
- Supply Chain Management policy
- Asset management policy
- Budget policy
- Virement policy
- Banking policy
- Investment policy
- Tariff policy
- Property rates policy
- Payment policy
- Indigent support policy
- Petty cash policy

## **1.8 Overview of budget assumptions**

### **1.8.1 External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

### **1.8.2 General inflation outlook and its impact on the municipal activities**

The following are the key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government economic targets;
- The general inflationary outlook and the impact on the municipality's residents and businesses;
- The impact of municipal cost drivers;
- The impact of tariffs
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions.
- Infrastructure backlogs

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

The base assumption is that tariff for property rates will not increase as the municipality is currently doing valuation. The collection rate on arrear debt is very high and consumers are not paying. The municipality only collect rates and refuse.

### **1.8.4 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial, district and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Infrastructure development
- Rural development and agriculture; and
- Fighting crime and corruption.

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

### **1.8.5 Ability of the municipality to spend and deliver on the programmes**

The municipality has been underspending in past two years resulting in roll overs of the conditional grants. The cash flow projection for this 2014/15 has been completed in the budget.

## **1.9 Overview of budget funding**

### **1.9.1 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from ratepayers and other to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

### **Cash Backed Reserves/Accumulated Surplus Reconciliation**

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences.

### **1.9.2 Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against different measures that look at various aspects of the financial health of the municipality. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

#### **1.9.2.1 Cash/cash equivalent position**

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

## **1.10 Legislation compliance status**

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

1. In year reporting  
Reporting to Provincial and National Treasury in electronic format was complied with on a monthly basis. Reporting is improving each and every year.
2. Internship programme  
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions within Budget and Treasury and Internal Audit.



3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee and performance audit committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the IDP and budget, and will be signed by the mayor thereafter.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury guidelines.
7. Policies  
The municipality is currently reviewing all its policies and a workshop will be conducted for all councilors and employees before submission to council for adoption.

