

ANNUAL BUDGET OF
EPRHAIM MOGALE
LOCAL MUNICIPALITY



2019/20 TO 2021/22
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

CFO	Chief Financial Officer
MM	Municipality Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Strategy
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
OHS	Occupational Health and Safety
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

Part 1 – Annual Budget

1.1 Mayor’s Report

HON. MAYOR CLR MD MOTHOGWANE’S KEY NOTE ADDRESS:

THE EPHRAIM MOGALE LOCAL MUNICIPALITY

STATE OF THE MUNICIPALITY ADDRESS

VENUE: MATLEREKENG – WARD 4

DATE: 31 MAY 2019

Hon. Speaker Cllr Bushy Modisha,

Members of the Ephraim Mogale Municipality council,

Executive Committee Members of the Ephraim Mogale Municipality,

Hon Chiefwhip Cllr Sedibane,

Members of the Limpopo Legislature,

Sekhukhune District Executive Mayor: Hon. Cllr Ramaila,

Honorable Speakers, Chief whips and Councilors present here,

Maapara Nkwe,

HOD’s and Municipal Managers,

Members of the Business Sector,

Representatives from various Organised Labour (Unions),

Community Members,

Members of the Media,

Distinguished Guests, Ladies and Gentlemen

Thobela babina diphoofolo, Dumelang, Lotshani, Goeie more, Good morning.

We gather here today Hon Speaker, in this august house after the historical 6th democratic elections which were held on the 8 May 2019. These elections were confirming and strengthening the democracy in South Africa, whereby the South Africans reaffirmed and gave mandate to the new government. We congratulate the IEC for overseeing and managing these elections which were declared **FREE and FAIR**. Our orderly congratulation goes to the South African Nation for its commitment in strengthening democracy in this country.

Madam Speaker, the congratulations will not be complete should we fail to acknowledge and congratulate the African National Congress (ANC) for being bestowed with the responsibilities of making a better life for people and improving service delivery. This is confidence given to the ANC, looking at its manifesto which clearly stipulates the tangible programs to be implemented that are further to improve the lives of the communities.

We thank the communities of Ephraim Mogale Local Municipality for having confidence in the ANC for the betterment of their lives. Madam Speaker, as the municipality, together with IEC we still have a mountain to climb in educating and empowering our communities on the importance of participating in elections, as, we noted that out of **57 985 000** voters registered on the voters' roll, only **54.42 %** voted, which is far less than the 60% IEC regard as better outcomes.

We congratulate President Ramaphosa for being re-elected as 6th President of this country, Cde Chupu Mathabathe as Premier of Limpopo Province and many other leaders for accepting responsibilities of being sent (Thuma mina) to make a better life for our communities.

This is a milestone in the Country's democracy since the dawn of freedom in 1994. Reading from his famous word, our icon Dr NR Mandela writes and I quote "**Ke bile motsea leeto go**

ya tokolong ya naga ya gesu. Ka leka ka mesegofeela go wele fase; kage leetong la ka go bile mekoti, metotolo yeo elikilego go sulafatsa leeto laka. Sephiring sa leeto le, ka lemoga go re go feteng mebotso, melala, dithokgwa, maswiswi...go sana le tsedingwe tseo di ikadilego pele ga mahlo aka. Keila ka tsea sebakanyana mme ka tadima botse, bothakga, bokgwari bjoo thlago emphago bjona. Ka go lebelela morago ke tswago..goikhutsa ebile ga lebakanyana feela, ka gore tokologo etla le maikarabelo...ka fao ga ka swanela go nyefisa...kage leeto tona la tokologo le sa tswela pele..”

Africa and Workers Month

We gather here today, Hon Speaker, during the Workers' and African month, a month when we remember the sons and daughters of Africa who stood firm in confronting the injustice of colonialism and apartheid. We celebrate the achievement of democracy and cultural diversity in Africa. Let us not forget that South Africa was the last country to attain democracy and it was through the commitment and contribution of neighboring African countries such as Botswana, Namibia, Lesotho, Zimbabwe, Malawi, Mozambique and Zambia which were regarded as frontline state, which risked and hosted our liberation movement soldiers in fighting the apartheid regime. As we all celebrate democracy, let us not forget the contribution of those African countries for us to attain democracy. Madam Speaker, it is so important to all of us to commit in fighting xenophobia by all means. At the same time encourage our African brothers and sisters to use all legal avenue in entering this country so that we share the skills and knowledge in making Africa a better continent.

While celebrating African month, internationally May month also remain the workers month. Our salute goes to South African workers, who respect the democratic labour laws, regulations and processes as promulgated by democratic government after a consultation with labour

unions at NEDLAC. We salute the workers for commitment in providing quality services to our communities. We are disappointed by those who use the state, specifically the municipal resources for their own benefit, such as selling of sand, using the municipal vehicle to transporting what is termed "STAFF", promotion of corruption by selling municipal diesel and petrol and many more. This is not the legacy which our fore-workers and leaders fought for, and we are calling on municipal workers to refrain from doing that before they are caught, and also call on community members to report such activities to the Municipal Manager. We are celebrating with workers for their contribution towards the progressive labour laws we achieved during this democratic dispensation.

Madam Speaker, we gathered here today just two days before the country enter the historic Youth Month. The month which has turned the political landscape of South Africa. It started long in early 40's during the vibrant youth leadership of Nelson Mandela, OR Tambo and many others whom committed themselves to militant fight to the injustice practices by apartheid regime. They also became the catalysts of the transformation of the African National Congress and became militant in order to speed up the process of making South African a Democratic State. The country experienced the mass resistance of the June16, as the turning point of young people taking a lead in fighting the apartheid regime. We will be failing in our celebrations of democracy if we do not acknowledge the commitment and sacrifices of young gallant fighter such as Solomon Mahlangu, who when faced with reality of death sentence for fighting for the democratic principle and liberation of the African people, said" My Blood will nourish the tree of freedom, tell my people that I LOVE THEM ALL". Indeed, today we are enjoying the fruits of freedom nourished by the blood of young gallants such as Cde Solomon Mahlangu and many others. For us to remain as young people, we should remain disciplined and fight for economic freedom as stipulated in the freedom charter that "the people shall share...".

Indeed Madam Speaker, the Ephraim Mogale Local Municipality has been given mandate to deliver the services that will improve the lives of our people and make them better off, and the municipality is on track in doing that. In fulfilling the aspirations and dreams of Nelson Mandela and the ANC, the Ephraim Mogale Local Municipality has long time ago addressed the challenges of provision of electricity by reaching the millennium goals. The municipality is proudly saying that as part of commitment to make a better life in relation to the provision of electricity, the focus is on “Villages Extensions and new settlements”.

During the 2018/2019 financial year, a total of 269 households in the following villages were provided with electricity:

WARDS	VILLAGES	No of Household Connected
5	Matlala-a-Ramoshebo	45
4	Matlerekeng	88
9	Leeuwfontein RDP Ext	106
1	Malebitsa Ext	<u>99</u>
	Total	<u>338</u>
All Wards	Infill's (different villages)	370 Households
	Backlog	1191

The municipality will continue to work hand in hand with Eskom to address the backlog of just over 1191 households that need electric-connection. As part of municipality commitment to address the public the municipality has adopted Electric Master Plan which aims to address the “public lighting” – streets and highmast lights. The municipality will in the financial year

2020/2021 roll-out the massive “public lighting” electrification as part of **Operation Khanyisa** and the commitment to service delivery to our communities.

Infrastructure 2019/2020 Projects

The municipality’s major service delivery challenges is characterized by three legged pot, being, Roads or Internal Streets Development, provision of Water and Electricity. As indicated earlier, the municipality has met and celebrated the millennium goal on electrification of all villages few years ago. The municipality is only faced with village extension connections which count to 1191 backlog.

During 2018/2019 Financial year, the municipality committed to the following infrastructural projects, and Hon. Speaker please allow me to account for projects as stated during that year’s budget presentations.

PROJECT	EXPENDITURE	STATUS
Ngwalemong Internal Streets	R 9 066 558.62	3.025km completed
Letebejane - Ditholong internal Streets	R 9 495 574.87	2.1km completed
Mamphokgo Sports Complex	R 5 456 659.79	Project progressing well

The municipality is faced with two biggest challenges on its provision of internal streets and storm water projects. **The Mashemong-Mooihoek Internal Street** was interdicted and the

court ruled that the municipality should re-advertised the project within 30 days. This mean that the contract was removed offsite and the process of Supply Chain should start again.

Leeufontein Sports Facility - Faced with challenges of contractor. A new contractor will be on-site within few day. There is a promise that the project will be completed before the end of the financial year.

The third project facing the challenges was the **Marble Hall Extension 6 Storm Water**. The municipality also faced some court challenges regarding demolishing wall built outside the boundaries where the storm-water infrastructure is to be built.

Because all the three projects are multi-year projects, the municipality is committed to continue with them as planned during the upcoming financial year.

The municipality's 2019-2020 Infrastructural development will include the following three years projects: Malebitsa Internal road, Mogalatsane Internal Road, Mmakgatle Internal Road and Mashemong/Mooihoek Internal road. The munciplaity will continue with the completion of Mamphokgo and Leeufontein Sports Complexes and the Marble Hall Extension 6 Storm Water.

This municipality will continue to benefit from Roads Infrastructural Development in partnership with Limpopo Roads Agency (LRA) through the continued upgrading and development of the roads between Mogaladi and Phokwane in Makhuduthamaga that pass through Ephraim Mogale Local municipality's Ward 13, and Tshikanoshi to Keerom and Mmotwaneng to Legolaneng Road in Elias Motswaledi Local Municipality, and another massive road infrastructural development through Moloto Corridor by South African National Roads Agency (SANRA) which pass through Marble Hall Town. All those roads infrastructural

development are contributing massively to temporary job creation within Ephraim Mogale Local Municipality.

Water and Sanitation

Water challenges are the outcry of our communities in Ephraim Mogale Local Municipality. Madam Speaker, South Africa is Water scare country, meaning that we should all commit to safe the little water we get. It is a known fact that if one looks and analyse the community prioritization through IDP, water demand is always number one in all wards. Madam Speaker, Ephraim Mogale is not mandated to provide water in terms of laws, but our communities cannot differentiate between local municipalities, District municipalities and National Departments as far as provision of water services is concerned. They always go to their nearest layer of government to demand and request for water services. Madam Speaker allow me to clarify that this municipality is working hand-in-hand with the Sekhukhune District Municipality, Limpopo Provincial Government and National Department of Water Services towards the solution to our challenges. In doing so, few weeks ago through the office of the Limpopo Premier, water boreholes were provided in Malebitsa as part of government commitment to resolve the water challenges. Going forward, Madam Speaker, the Sekhukhune District Municipality Hon Executive Mayor, Marumo á Phogole Cllr Ramaila has committed R 38,4 Million and R39,1 million for water provision in Moutse and R10 million in Flag Boshielo for Household metres installation.

A further R12 million was allocated for the Sanitation Project which will be used for 3000 new installations. Councilors will finalize the distribution and allocation of those VIP Sanitation with the Sekhukhune District very soon.

Education and Youth Development

Hon. Speaker and Distinguished Guests, our municipality has committed itself to improve the life of the young people. Furthermore, the municipality is committed to support the implementation of national legislations and regulations of Free Education and skilling of our young people as part of commitment in the Freedom Charter. In doing so, the municipality has Career and Youth Information Days as part of providing Information Services. During the 2018/2019 financial year, the municipality promised to make available resources to empower the young people through “Career Guidance and Wi-Fi Connectivity in all Wards. Due to the technicalities, this did not materialized. As commitment to the cause, the municipality has budgeted R1million for the installation of the Wi-Fi during 2019/2020, R1.2 million during 2020/2021 and 2021/2022 as part of empowerment of our youth.

As part of youth development and economic empowerment, the municipality facilitated training of 180 young people in the following areas:

Masonry	Welding	dressmaking	Plumbing	Environment
20	20	20	20	15

Tourism = 20	Yes program(fashion Design) = 65
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What Inform the Budget?

Hon. Speaker and Distinguished Guests, the Ephraim Mogale Local Municipality as part of South Africa is also faced with economic challenges. The general slow Economic Growth is affecting job creation and collection of fiscals for the provision of service delivery.

The Grant account to 60% of the total budget and 40 % from municipal own revenue of the municipality. The allocation for the financial year 2019/2020 is as follows:

1. **Equitable Shares Allocation R 144,9 Milions** – used for general administration and funding of some internal projects

2. **Municipal Infrastructure Grand (MIG) R32 Million** which will be used to pay for the MIG projects;
3. **Financial Municipal Grant (FMG) R2,6 Million** – allocated for Financial Capacity building . This grant is the one used for skilling and training of Interns in Finance.
4. **Extended Public Works Program (EPWP) R1.3 Million-** allocated for the employment of EPWP workers.

TOTAL Grants is **R168 Million**

Own Municipal Revenue is R110 million and the collection rate is 82% from electricity, refuse removal and property rates.

2019/2020 Budget

The municipality has budgeted for total revenue of **R 300 Million** in the 2019/2020 financial year which is an increase of R19 million from 2018/2019 budget. The budget breakdown is as follows in a circle of three years:

Description	2019/2020 Medium Term Revenue & Expenditure Framework								
	Budget	Year	Budget	Year	+1	Budget	Year	+2	
	2019/2020		2020/2021			2021/2022			
<u>Expenditure By Type</u>									
Employee related costs	94,023m		98,519m			105,377m			
Remuneration of councillors	14,533m		15,546m			16,630m			
Debt impairment	13,321m		14,253m			15,251m			

Depreciation & asset impairment	52,000m	53,000m	54,000m
Finance charges	365 000	387 000	410 000
Bulk purchases	42,224m	49,395m	56,804m
Other materials	1,275m	1,481m	1,569m
Contracted services	36,355m	33,752m	35,273m
Transfers and subsidies	-	-	-
Other expenditure	46,006m	49,820m	51,370m
Total Expenditure	300,102m	316,153m	336,685m

Employee related costs are increased as per the National Bargaining Council Agreement between SALGA, SAMWU and IMATU and for the coming financial year it will be increased by 7%. The increase of Councilors and Senior Managers are determined by the Minister through the Government Gazette that regulates Upper Limits for Councilors and Senior Managers

Tariffs Increase

The following are the proposed tariff increases after taking into consideration the guidelines from National Treasury and National Energy Regulator of South Africa (NERSA):

- ▶ Assessment Rates: 5.2%
- ▶ Electricity: 13%
- ▶ Cleansing: 5.2%
- ▶ Other income: 5.2%

New Households Electrical Connection

Regarding electrification as part of service delivery, Hon Speaker, the following village extensions will be electrified during the 2018/2019 financial year:

WARDS	VILLAGES	NO. OF CONNECTIONS
16	Mogalatsane	34
15	Morarela Ext	53
09	Mamphokgo Ext	75
11	Mohlalaotwane	24
	<u>TOTAL</u>	186 House Hold

With regard to individual connection from budget provided by Eskom, a total connection of 400 house-holds will be provided with electricity during the 2019/2020 financial year. Madam Speaker, this will be a drop in an ocean as the backlog is now over 1000 house-holds.

Graveyard Fencing

As part of our commitment to protect and respect our gravesites, the municipality will complete the following fencing of the graveyard during the current financial year of 2018/2019.

WARDS	VILLAGES
11	PULENG B
10	MAGATLE
15	MBUZINI

14	REGAE
4	KLOPPER
13	GREENSIDE
13	Moomane

A budget of R700 000 is allocated to continue with the project and provide fencing for **seven graveyards** during 2019/2020 financial year. Both the Political wing and the Administration are finalizing the village identification and communique will be issued to villages and wards to be fenced soon. The municipality is humbly requesting community members to protect and guard against stealing and vandalizing of the graveyards fence which we erected.

Local Economic Development

Local Economic Development is a nerve of any local government institution. Hon. Speaker the municipality's economy is characterized by the agriculture as the dominant economic sector, hence the municipal vision of "**Agricultural Hub of Choice**". Keeping with the economic dominant, the municipality is facilitating and supporting agricultural cooperatives mostly focusing on youth and women participation.

During his state of the province address, Limpopo Premier, Hon Chupu Mathabathe stated that "Despite these challenges, our provincial economy remained resilient and was able to create jobs in line with the commitment that we made in 2014. The Stats South Africa's Labour Force Survey indicates that since 2014, the provincial economy has been able to create no less than 317 000 jobs. Suffice to indicate that these numbers do not include the figures for the 2018 fourth quarter labour force survey. The latest figures from StatsSA indicate that Limpopo has the lowest unemployment rate in the country. Our unemployment rate is currently at 16.5% against the national average of 27.1%". Our municipality has contributed **1336 jobs**

through EPWP and CWP during the current financial year. The municipality further commit to pay attention to the SMMEs and Cooperatives as requested by Hon Premier. SMMES are catered for through Supply Chain Management policy whereby **30% of subcontracting** in all the projects will be from the local communities.

Indigents

Ephraim Mogale Local Municipality is a rural municipality characterized by the indigents. Presently there are 2479 households on the Indigent register and on average only 2000 household are benefiting. As a rural municipality where some of the municipality wards are regarded as the poorest of the poor, we need to encourage communities to register, review data collection strategy and the roles of Ward Councilors, Ward Committees, Community Development Workers and the local Social Workers in data collection.

Good Governance and Financial Stability

Madam Speaker and distinguished guests, please allow me to confirm what the former Mayor Councilor Kupa told the community of Ephraim Mogale during the 2018/2019 State of the Municipality Address (SOMA) that this municipality is financially stable and meets its financial obligations. This was also confirmed by obtaining the Unqualified Audit Opinion by Auditor General of South Africa (AGSA). South African Local Government Association (SALGA) Limpopo also rewarded this municipality by the Awards for obtaining Unqualified Audit report, joining the **Top Best Ten Municipalities** in the province of Limpopo. This audit report confirms, Madam Speaker, the observation made by Council of Government, Finance, Audit and Risk Officers (CIGFARO) when awarding our municipality with Certificate and trophy as a recognition for the most improved financial management institution.

While celebrating the achievement, Madam Speaker, we should as a municipality not regress, but work even harder to obtain the **CLEAN AUDIT** during the upcoming audit processes.

Hon. Speaker, in strengthening and bringing administrative stability, the municipality has employed the Director of Infrastructure Mr P T Mashile and is in the process of finalising the employment of Director of Planning and Local Economic Development.

Conclusion

One agrees with the State President, Hon Cyril Ramaphosa when he said “ we should always reflect of the milestone achieved during the last 25 years of democracy and the establishment of local government. Our people’s hope are not baseless; it is grounded on the progress that is being made since dawn of democracy. We need to reflect on the actions which assisted in the improvement of the life of our communities. Our efforts may have been uneven, and we still have much work to do, but we have demonstrated over the last year our shared determination to work together to confront our common challenges”.

The key to what as government we must do is to reflect on the Five Tasks as were expressed by the Hon. President, which are:

1. Firstly, that we accelerate inclusive economic growth and create jobs.
2. Secondly, our history demands that we should improve the education system and develop the skills that we need now and into the future.
3. Thirdly, we are duty bound to improve the conditions of life for all South Africans, especially the poor.
4. Fourthly, we have no choice but to step up the fight against corruption and State capture and
5. Fifthly, we need to strengthen the capacity of the State including the local Government to address the needs of the people.

During upcoming financial year, as Ephraim Mogale Local Government, Councilors, Communities and all stakeholders we should focus on the five points as alluded by the State President.

In responding to the directives and a call by the State President, today we present this budget to loving community of Ephraim Mogale, and we commit ourselves and say “Siyavuma, Thumani Thina to the hardship of delivering services to our communities, thumani thina to be your servants in making a better life to you all”.

Hon Speaker, as a municipality, we are aware that is not going to be easy in our travelling to reach the set goals. But the municipality believe that working together with our communities, stakeholders, administration and the political wing, we can achieve the set goals with the little resources at our disposal.

The municipality will continue engaging our communities, disseminating information on the progress made in implementing this budget during the upcoming public participation. This budget remains our hope in bringing a better life to our communities.

Allow me Hon Speaker, to thank Exco Members, MPAC and Portfolio Committees for the good oversight work performed at all time. Thanks to the offices of the Hon Speaker and Chiefwhip for the support they always give. Thanks to all the political parties participating in our municipality for contributing towards the political stability within our municipality, the Audit Committee and the administration, for their sterling in bringing administration stability and implementation of programs and projects that contribute towards the betterment of the lives of our people.

Most importantly, thanks to the community of Ephraim Mogale Local municipality, for continuing support and understanding the fiscal challenges the municipality is facing in improving our lives.

Special thanks to my family for allowing ANC, for bestowing on me the trust that one will carry the mandate of providing services to our communities.

The municipality is calling to all of us to rise together above our differences and tackle the service delivery challenges as commitment to make a better life to our communities.

"Motswaleeto tlama seeta sa ga Ramokgokela, gobane mosepedi ga alape. O re go se tlema se tiye selle mongana ting-ting"

I thank you.

1.2 Council Resolution

That the Council of Ephraim Mogale Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

1. The Annual budget of the municipality for the financial year 2019/2020 and the multi-year and single-year capital appropriations as set out in the following tables:
 - (A) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 of MTREF
 - (B) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 of MTREF
 - (C) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 of MTREF
 - (D) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of MTREF

Summary

	Draft Annual Budget 2019/2020	Budget 2020/2021	Budget 2021/2022
Revenue	303,766,238	321,651,097	342,882,810
Operational Expenditure	300,101,935	316,153,090	336,684,798
Capital Budget	50,256,600	53,897,850	52,991,650

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:
 - (A) Budgeted Financial Position as contained in Table A6 OF MTREF
 - (B) Budgeted Cash Flows as contained in Table A7 OF MTREF
 - (C) Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 OF MTREF
 - (D) Asset management as contained in Table A9 of MTREF
 - (E) Basic service delivery measurement as contained in Table A10 OF MTREF
3. Tariffs and charges reflected in Annexure B are approved for the budget Year 2019/2020.
4. The amended Budget related policies as detailed in Annexure C are approved for the budget year 2019/2020.

1.3 Executive Summary

The Annual budget for 2019/2020 was compiled in accordance with the requirements of the Municipal Finance Management Act (Act 56 of 2003) as well as the Municipal Budget and Reporting Regulations which gives a clear directive on the prescribed reporting framework and structure to be used.

The application of sound financial management principles for the compilation of the municipal's financial plan 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.

Section 16 of the Municipal Finance Management Act (MFMA) requires that the municipality must for each financial year approve an annual budget before the start of the financial year.

The format and contents of the budget are prescribed by sections 16 to 27 of the MFMA as well the Municipal Budget and Reporting Regulation issued by National Treasury.

The MFMA refers to funding of expenditure and states:

a. An annual budget may only be funded from:

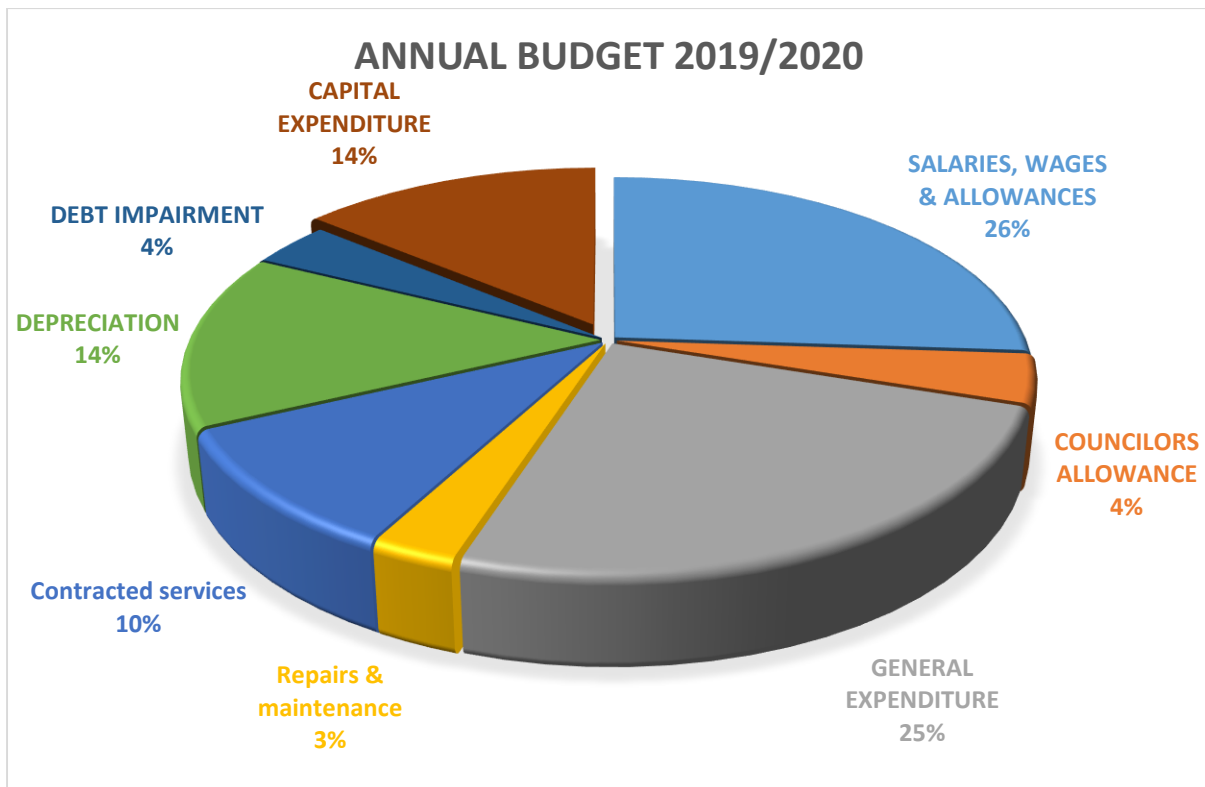
- realistically anticipated revenues to be collected
- cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds; but only for the capital budget referred to in section 17(2).

b. Revenue projections in the budget must be realistic, taking into account:

- projected revenue for the current year based on collection levels to date; and
- Actual revenue collected in previous financial years."

Circular 93 and 94 are issued by National Treasury provide further guidance for the preparation of 2018/2019 MTREF. All other MFMA Budget Circulars as well as departmental inputs were taken into consideration when preparing the Annual budget.

The following is a summary of Annual budget for 2019/2020.



The highest percentage goes to the General expenditure (25%) which is mainly caused by expenditure such as Bulk purchases Amounting to R42 Million.

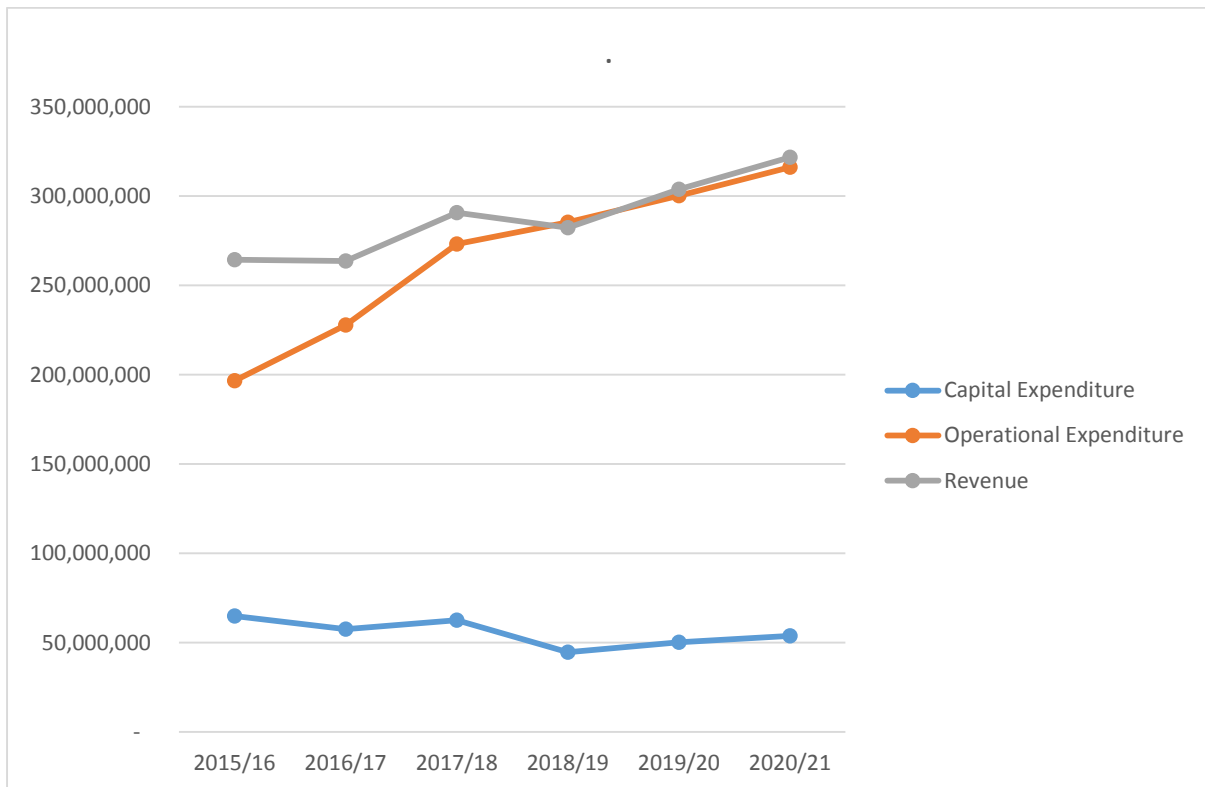
The salaries and wages for 2018/2019 financial year was R86 Million and it has increased to R94 Million for 2019/2020 financial year. Salaries and wages has increased by 7%.

Repairs and maintenance is below 8% of the total property plant and equipment of the municipality, however the 3% based on the overall budget will be able to deal with all items that needs to be repaired or maintained in 2019/2020 financial year.

Provision for doubtful debts is seating at 4% due to non-payment of debts.

Depreciation is at 14%, and this has been done in line with **GRAP** standard.

The following graph provides an analysis of Revenue, operational expenditure and capital expenditure over the MTREF. It highlights the Municipality’s strategy to address the Community needs.



Revenue has been growing since 2015/2016 up to 2017/2018, this is mainly as a results of Operational Grants (such as equitable share) increasing every year as well as tariffs. However revenue went down in 2018/2019 financial year manly as a results of decrease in MIG.

Total operational expenditure has been increasing without a declining from 2014/2015 to 2021/2022 as a results of annual increase in inflation.

Capital expenditure has went down from 2017/2018 to 2018/2019 due to decline in MIG funding.

The following were the challenges experienced during the compilation of the 2019/2020 MTREF

- The ongoing difficulties in the national and local economy
- The need to reprioritize projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Salaries increases for municipal staff
- Non-payment of municipal services account
- Alignment of 2019/2020 budget to mSCOA

The following budget principles and guidelines directly informed the compilation of the 2019/2020 Annual Budget

- Zero rated budgeting was used on capital budget
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality
- Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs
- the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

Revenue management

National Treasury continues to encourage municipalities to keep increases in property rates, tariffs for trading services and charges for other municipal own revenue sources within the parameters of the country's inflation rate. Furthermore, municipalities must adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring financial sustainability of the municipality. Demand management is becoming increasingly necessary as the country faces water shortages and an unstable electricity supply. The approach to tariff setting should consider all these factors and strive to achieve an equitable balance.

It is anticipated that the cost of providing municipal services will grow at a faster rate than the transfers from national government. Resource scarcity will most likely increase the cost of bulk purchases in respect of electricity beyond the country's inflationary targets.

Furthermore, providing for free basic services in the case of poorer households must be carefully considered and, where some municipalities have opted to provide this benefit to ALL households, this may not be financially sustainable in the long-term.

Where appropriate, a municipality should re-evaluate the costs and benefits of universal or targeted provision of free basic services subsidies, in order to protect their delivery to poor households in particular. At no point should the provision of these subsidies remove resources from programmes that will expand access to infrastructure services for presently un-served households. Where municipalities do not have an adequate revenue base and where municipalities face a combination of challenges such as resource scarcity, high unemployment and slower than average economic growth, an aggressive approach to curbing non-core spending and improving operational efficiencies is strongly advised.

Tariff setting

There are several tools available and methodologies employed to determine the appropriate tariffs. Municipalities may favour different approaches but the principles of tariff setting should be consistently applied. Municipalities should consider the following practicalities when setting tariffs:

- Costs of bulk purchases and the fluctuation in the seasonal cost thereof;
- Consumption patterns to enable better demand planning and management; and
- In the event that municipalities have been under recovering costs, embark on a process to correct their tariff structures over a reasonable time period so that cost reflective tariffs are achieved.

The tariff setting process is reliant on sound baseline information such as the number of properties within the municipal area of jurisdiction, the values of these properties, the number of households

identified as indigent or poor, the consumption patterns in respect of basic services and the growth patterns within the various geographic areas.

The inflation rate forecasts as per MFMA circular no.74 issued by National Treasury has been used on the MTERF. The maximum of 5.2 growth rate was used on the tariffs. However some tariffs are based on cost recovery.

The following are the proposed tariff increases after taking into consideration the guidelines from National Treasury:

Assessment Rates:	5.2%
Electricity:	13%
Cleansing:	5.2%
Other income:	5.2%

The inflation rate forecasts as per MFMA circular no.94 issued by National Treasury has been used on the MTERF. The maximum of 5.2 growth rate was used on the tariffs

The following table is an overview of the proposed 2019/2020 Annual budget

Revenue

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand					
Revenue By Source					
Property rates	37,810	35,655	37,509	39,534	41,669
Service charges - electricity revenue	51,897	53,864	61,224	64,531	68,015
Service charges - water revenue	-	-	-	-	-
Service charges - sanitation revenue	4,341	4,244	4,463	4,704	4,958
Service charges - refuse revenue	-	-	-	-	-
Rental of facilities and equipment	233	156	163	172	181
Interest earned - external investments	9,274	3,503	3,685	3,884	4,093
Interest earned - outstanding debtors	6,020	7,094	7,463	7,866	8,290
Dividends received		-			
Fines, penalties and forfeits	276	107	101	107	113
Licences and permits	3,348	3,348	3,345	3,519	3,709
Agency services	888	-			
Other revenue	1,821	2,899	3,396	3,586	3,780
Total Own Revenue	115,909	110,869	121,349	127,902	134,809
Finanacial Management Grant	2,215	2,215	2,680	3,112	3,376
Equitable share	129,676	129,676	144,977	155,477	167,068
EPWP Grant (505/60026)	1,594	1,594	1,317	-	-
Grant MIG (300/55037)	32,823	34,625	33,443	35,160	37,630
Total Grants	166,308	168,110	182,417	193,749	208,074
Total Revenue	282,217	278,979	303,766	321,651	342,883

The projected income for 2019/2020 financial year has increased from R278.9 Million in 2018/2019 to R303.7 Million in 2019/2020 financial year. The total revenue has increased by R8 Million as a results of the following:

- The Equitable share is provided for R 129 Million in 2018/2019 financial year while in 2019/2020 financial year is budgeted for 144 Million. There is an increase of R15 Million from previous year.
- Sale of electricity has increased by R6 Million due to increase in electricity tariffs.
- Property rates increased from R35.6 Million in 2018/2019 to R37.5 Million in 2019/2020 financial year. This is due to 5.2 percentage increase on property rates tariffs.

Operational Expenditure

Description	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand					
Employee related costs	87,767	86,114	94,023	98,519	105,377
Remuneration of councillors	13,525	13,525	14,533	15,546	16,630
Debt impairment	17,679	12,449	13,321	14,253	15,251
Depreciation & asset impairment	47,700	50,000	52,000	53,000	54,000
Finance charges	448	150	365	387	410
Bulk purchases	34,341	36,400	42,224	49,395	56,804
Other materials	2,231	2,324	1,275	1,481	1,569
Contracted services	38,682	38,938	36,355	33,752	35,273
Transfers and subsidies	-	-	-	-	-
Other expenditure	40,362	41,086	46,006	49,820	51,370
Loss on disposal of PPE					
Total Expenditure	282,735	280,986	300,102	316,153	336,685

Total operational expenditure in 2018/2019 is R280 Million and has increased in 2019/2020 financial year to R300 Million. 2018/2019 Operational expenditure excludes internal billing cost. There is an increase of R19 Million manly as a results of the following.

- Salaries and allowances for municipal staff has increased by 7%. Remuneration of councillors are calculated on actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act.
- Bulk purchases, Repairs and maintenance and Contracted services are causing a major increase in operational expenditure.
- Depreciation has been budgeted for R52 Million as it is the requirement of GRAP presentation in respect of assets.
- Debt impairment has also increased R871 Thousand due to non-payment of municipal accounts

Capital Expenditure

Function	SegmentDesc	Funding	ADJUSTMENT BUDGET INPUTS 2018/2019	Annual Budget 2019/2020	Budget 2020/2021	Budget 2021/2022
	OWN FUNDING PROJECTS					
Administration	Purchase Of Water Dispensors	OWN	30,600.00	-	-	-
Administration	Purchase of Furniture (500/305065)	OWN	529,404.00	300,000.00	400,000.00	400,000.00
Paks & Cemeteries	Landscaping & Greening (425/305071)	OWN	750,000.00	500,000.00	530,000.00	561,800.00
Paks & Cemeteries	Lawnmowers and brushcutters	OWN	-	200,000.00	-	-
Electricity: Electricity	Network Design Software	OWN	70,000.00	-	-	-
Electricity: Electricity	Truck Mounted Crane	OWN	530,000.00	-	-	-
Electricity: Electricity	TRANSFORMER REPLACEMENT 500KVA	OWN	500,000.00	-	-	-
Electricity: Electricity	Install RMU Cable to Connect Ext 5&6	OWN	890,000.00	-	-	-
Electricity: Electricity	Replace Streetlight Wood Poles at Mamphokgo 20	OWN	-	200,000.00	230,000.00	250,000.00
Electricity: Electricity	Replace PEX Cable in Ext 5	OWN	1,500,000.00	750,000.00	-	-
Electricity: Electricity	Industrial substation second supply phase 3 (Cable OTK t	OWN	-	3,250,000.00	1,000,000.00	-
Electricity: Electricity	Replace minisubstation Stand 338 - 630kVA	OWN	-	-	1,300,000.00	-
Electricity: Electricity	Retrofit Mast light fittings - Leeufontein	OWN	-	-	930000	-
Electricity: Electricity	Replace Streetlight wood poles at Mmotwaneng 20	OWN	-	-	230,000.00	250,000.00
Electricity: Electricity	Replace Streetlight Wood Poles at Mamphokgo 20	OWN	-	-	200,000.00	-
Electricity: Electricity	Repair Moeding Mast light	OWN	-	-	-	-
Electricity: Electricity	Replace 50 Meters	OWN	-	100,000.00	100,000.00	-
Electricity: Electricity	Shelving for Workshop (20)	OWN	-	-	120,000.00	-
Electricity: Electricity	Industrial Substation Second Supply Phase 4 (CABLE)	OWN	-	-	1,000,000.00	-
Electricity: Electricity	Replace Old 35mm² PILC 11kV Cable from Erf181 to 830	OWN	-	-	1,200,000.00	-
Electricity: Electricity	Retrofit mast light fittings - Regae	OWN	-	-	1,170,000.00	-
Electricity: Electricity	Replace 6 wood poles on overhead line - Dumpsite	OWN	-	-	100,000.00	-
Electricity: Electricity	Replace minisubstation - Stand 749	OWN	-	-	1,300,000.00	-
Electricity: Electricity	New LDV with Toolbox	OWN	-	-	500,000.00	-
Electricity: Electricity	Generator for functions(Mobile unit 100kVA (on trailer)	OWN	-	-	-	400,000.00
Electricity: Electricity	Replace old PEX cable ERF 749 to 754	OWN	-	-	-	400,000.00
Electricity: Electricity	Replace wired & 1st generation prepaid meters with wir	OWN	-	-	-	250,000.00
Electricity: Electricity	Replace minisubstation Stand 1028	OWN	-	-	-	1,400,000.00
Electricity: Electricity	Replace 11KV Overhead Line with cable Industria Street	OWN	-	-	-	650,000.00
Electricity: Electricity	Extend streetlights in Ficus Street	OWN	-	-	390,000.00	-
Electricity: Electricity	Generator - corporate services 220kVA	OWN	-	-	-	1,200,000.00
Electricity: Electricity	Xmas Decorations - Marble Hall	OWN	-	-	250,000.00	-
Electricity: Electricity	High Mast Light Project (40m masts)	OWN	-	-	1,000,000.00	1,000,000.00
Electricity: Electricity	Upgrade Municipal ESKON Supply	OWN	3,000,000.00	2,000,000.00	1,000,000.00	1,000,000.00
Finance: Finance	Note Counting machine	OWN	-	60,000.00	-	-
Finance: Finance	Money - Safe	OWN	-	10,000.00	-	-
Finance: Finance	Laptops FMG	OWN	52,000.00	-	-	-
Fleet Management: Fleet Mangem	TOOLS & EQUIPMENTS	OWN	200,004.00	-	-	-
Housing: Housing and Building	Air Conditioning	OWN	200,000.00	100,000.00	-	-
(ICT)	Television	OWN	12,996.00	28,000.00	-	-
(ICT)	Purchase Of ICT Equipments	OWN	89,996.00	77,000.00	120,000.00	140,000.00
(ICT)	PURCHASE OF PRINTERS	OWN	88,496.00	130,000.00	200,000.00	100,000.00
(ICT)	Server	OWN	140,000.00	-	550,000.00	-
(ICT)	Sound System	OWN	85,996.00	-	-	-
(ICT)	ICT Computers	OWN	120,000.00	180,000.00	180,000.00	200,000.00
(ICT)	Master Tower pole	OWN	-	95,000.00	-	-
(ICT)	Purchase of Routers	OWN	-	100,000.00	-	-
(ICT)	community WIFI	OWN	-	1,000,000.00	1,200,000.00	1,200,000.00
(ICT)	wireless Access point	OWN	-	40,000.00	10,000.00	10,000.00
(ICT)	Replacement Of Switches	OWN	164,000.00	-	-	-
Licencing and Traffic	Dashboard Camera	OWN	12,000.00	-	-	-
Licencing and Traffic	Machinery and Equipments	OWN	573,400.00	-	-	-
Licencing and Traffic	VEHICLES	OWN	-	600,000.00	-	-
Solid Waste Removal: Solid Waste	TIPPER TRUCK	OWN	950,004.00	-	1,500,000.00	-
Solid Waste Removal: Solid Waste	Landfill Site Weighbridge 12M	OWN	1,100,004.00	-	-	-
Roads: Roads & Stormwater	E6 STORM WATER	OWN	300,000.00	6,000,000.00	-	-
Roads: Roads & Stormwater	Rehabilitation of leeufontein internal streets	OWN	-	2,500,000.00	2,500,000.00	3,000,000.00
Roads: Roads & Stormwater	Purchasing of Backhoe loader	OWN	-	-	-	4,800,000.00
Roads: Roads & Stormwater	Purchasing of motor grader	OWN	-	-	1,200,000.00	-
Roads: Roads & Stormwater	Preventative maintenance of Tarred Roads	OWN	-	-	-	-
	TOTAL OWN FUNDING		11,888,900.00	18,220,000.00	20,410,000.00	17,211,800.00
	MIG FUNDED PROJECTS					
Roads: Roads & Stormwater	Upgrading Of Letebejane/Ditholong Internal Streets	MIG	3,796,502.59	-	-	-
Roads: Roads & Stormwater	Ngwalemong Internal Streets	MIG	4,184,226.58	-	-	-
Roads: Roads & Stormwater	Mamphogo Sports Complex (650/305178)	MIG	12,151,228.00	-	-	-
Roads: Roads & Stormwater	Leeufontein Sports Complex	MIG	7,443,085.75	-	-	-
Roads: Roads & Stormwater	Mashehong/Mooihoeck Internal Street	MIG/OWN	7,000,683.00	8,768,300.00	14,265,844.00	-
Roads: Roads & Stormwater	Mmakgatle Internal roads	MIG	-	7,384,150.00	-	-
Roads: Roads & Stormwater	Malebitsa internal street	MIG	-	7,500,000.00	-	-
Roads: Roads & Stormwater	Mogalatsane/phetwane internal street	MIG	-	8,384,150.00	16,000,000.00	-
Roads: Roads & Stormwater	Constraction of Rathoke Internal streets	MIG	-	-	3,222,006.00	-
Roads: Roads & Stormwater	Contraction of Dichoeung Internal Streets	MIG	-	-	-	13,279,850.00
Roads: Roads & Stormwater	Vaalbank internal Streets	MIG	-	-	-	7,500,000.00
Roads: Roads & Stormwater	Leeufontein Internal streets	MIG	-	-	-	7,500,000.00
Roads: Roads & Stormwater	Moganyaka Internal Streets	MIG	-	-	-	7,500,000.00
			34,575,725.92	32,036,600.00	33,487,850.00	35,779,850.00
			46,464,625.92	50,256,600.00	53,897,850.00	52,991,650.00

Capital expenditure has increased from R46 Million in 2018/2019 to R50 Million in 2019/2020 financial year. Capital expenditure has decreased by 3.7 Million mainly as a results of internal funded project.

1.4 Annual Budget Tables

See attached copy of Medium Term Revenue and Expenditure (MTREF) which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/2020 Annual budget in Annexure A.

Table A1 –Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs. Financial management reforms emphasize the importance of the municipal budget being funded.
3. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - (A) The operating surplus/deficit (after Total Expenditure) is positive over the final budget
 - (B) Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized are reflected on the Financial Performance Budget
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows In essence the cash backing surplus table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
5. From the table it can be seen that for the period 2015/16 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses.
6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor

Table A2 –Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The Total Revenue on this table includes capital revenues (Transfers recognized – capital)
2. The municipality shows a positive surplus for all perspective years. This prove that the municipality follows section 18 of the MFMA.

Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table A4 – Budgeted Financial Performance (revenue and Expenditure)

1. Table A4 reflects the level in which the revenue base of the municipality. Our reliance is mainly on grants and subsidies constitute 60% of the total budget.
2. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operations gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The Annual budget provides that a municipality may approve multi-year or single year capital budget appropriations. In relation to multi-year appropriations, for 2019/2020 R50 million has been allocated for capital expenditure which has increased by 8% when compared to 2018/2019 financial year.

Table A6 – Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position.
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
 - (a) Call investments deposits
 - (b) Consumer debtors;
 - (c) Property, plant and equipment;
 - (d) Trade and other payables;
 - (e) Provisions noncurrent;
 - (f) Changes in net assets; and
 - (g) Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table A7 Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The Budgeted cash flow show a favourable closing balance which clearly indicate that the municipality will be able to finance the adjustment budget over the medium-term.

Table A8 Cash Backed Reserves/Accumulated Surplus

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the Annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2015/2016 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses without borrowings Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash
6. As part of the budgeting and planning guidelines that informed the compilation of the 2019/20 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table A9 – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The repairs and maintenance are mainly done In house. Repairs and maintenance is below 8% since we have recently unbundled community assets however the 3% will be able to deal with all items that needs to be repaired or maintained in 2019/2020 financial year.

Table A10 Basic Service Delivery Measurement

This table proves an overview of service delivery levels for each main Service.

The municipality has kept cost of free basic service from R1.8 million in 2019/2020 financial year.

The following services are not offered by Ephraim Mogale Local municipality hence there are no inputs on the budget.

- (a) Water (Sekhukhune District Municipality)
- (b) Sanitation (Sekhukhune District Municipality)

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

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

The primary aims of the Budget Steering Committee are to ensure:

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

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2017 as required. The draft budget was tabled in Council before 31 March 2018. A period of consultation then followed as per Sections 22 and 23 of the MFMA.

a. 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 2018) a time schedule that sets out the process to revise the IDP and prepare the budget.

The following has been adhered to in terms of the Budget Time Table and IDP process plan:

The budget process timetable was submitted to council and approved.

SDBIP's were approved as provided for in the MFMA Section 53 (3)(a).

Financial statements were prepared and submitted on 31 August 2018.

The Budget Advisory Committee held its meetings for the reviewing the annual performance.

The mid-year budget and performance assessment was tabled to council and approved.

The annual report was tabled to council.

The adjustment budget process was finalized and tabled to council for approval on the 27th February 2018.

The strategic planning took place on January 2017 and the purpose as per the timetable is to align the budget with the IDP, where community needs have been prioritized.

The municipality will hold public participation meetings for comments with regards to the budget from the month of April 2018.

1.2 Overview of alignment of annual budget with IDP

The Ephraim Mogale Local Council adopted an Integrated Development Plan (IDP) process plan in terms of section 28 of the Municipal Systems Act which clarified the roles and responsibilities of IDP structures that must be established for the consideration of the final IDP review for the 2018/2019 Financial Year.

This review process was done in terms of section 34 of the MSA which inter-alia reads as follows:

"A municipal Council must review its IDP in accordance with an assessment of its performance measurements in terms of section 41; and to the extent that changing circumstances so demand; and may amend its IDP in accordance with a prescribed process".

Therefore, the purpose of this review is to incorporate the views of the community of EPRHAIM MOGALE, as influenced by changing circumstances.

Accordingly, section 25 of the Municipal Structures Act (MSA) says that each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which;

- (a) Links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- (b) Aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) Forms the policy framework and general basis on which annual budgets must be based
- (d) Is compatible with National and Provincial development plan and planning requirements binding on the municipality in terms of MFMA Circular no. 54.

An integrated development plan adopted by a municipal council in terms of sub-section (1) may be amended in terms of section 34 and remains in force until an integrated development plan is adopted by the next elected council.

In drafting the IDP for the next five years, the municipality has followed its process plan adopted in terms of section 28 (1)(2) and (3) of the Municipal Systems Act, adopted by council during August 2016.

Section 26 (a) to (i) of the MSA² prescribes nine (9) key components which must appear on a credible IDP and these components are discussed in summary below.

- a) The vision of the Municipality
- b) Guided by the community, the Municipal Council has developed a set of priority development issues as per the requirement of section 26 (c), which are clustered into five Key Performance Areas, to be implemented during the next three years.

The Key Performance Areas are the following:

1. Service Delivery and Infrastructure Developments
2. Local Economic Development
3. Municipal Financial Liability
4. Institutional Transformation
5. Good Governance and Public Participation
6. Spatial Rationale

1.3 Measurable performance objectives and indicators

The key financial indicators and ratios are disclosed in Supporting Table SA8: Performance indicators and benchmarks. Ephraim Mogale Local municipality is anticipating an 80% collection rate in 2019/2020 financial year.

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 Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

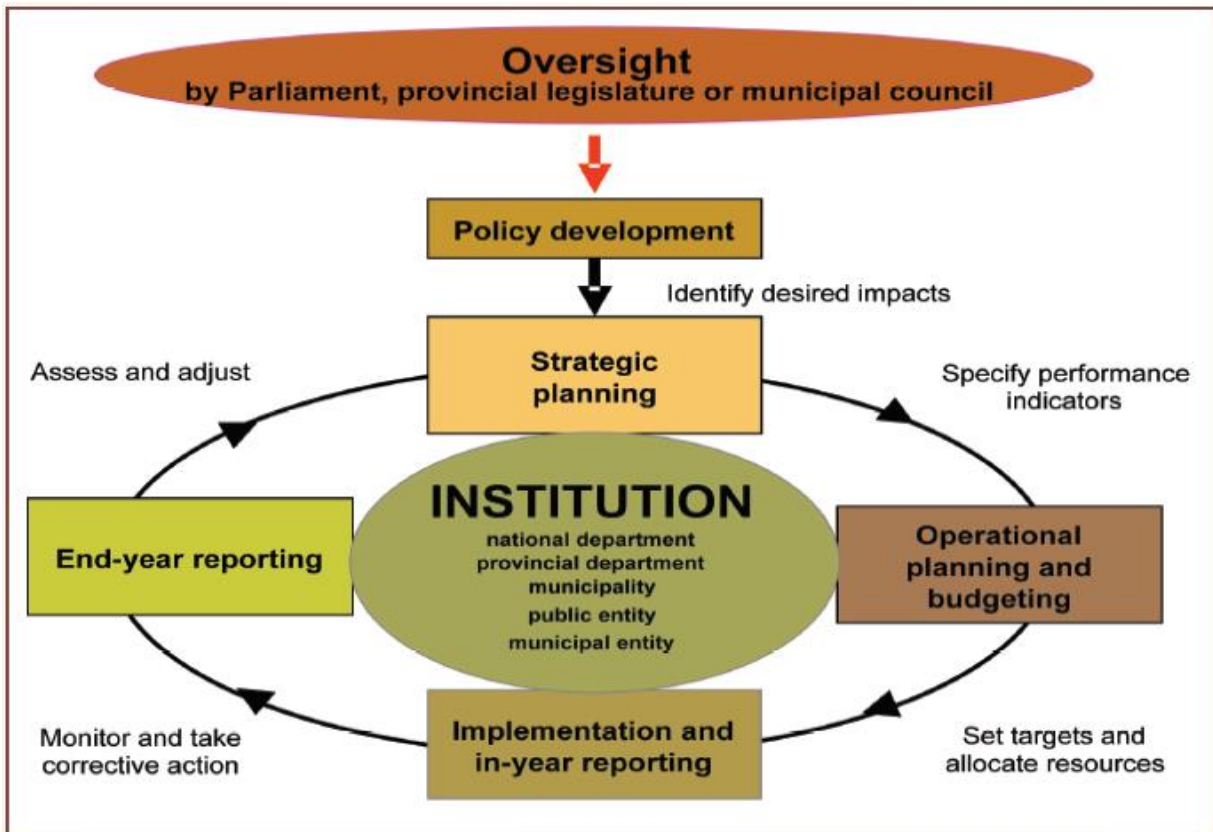
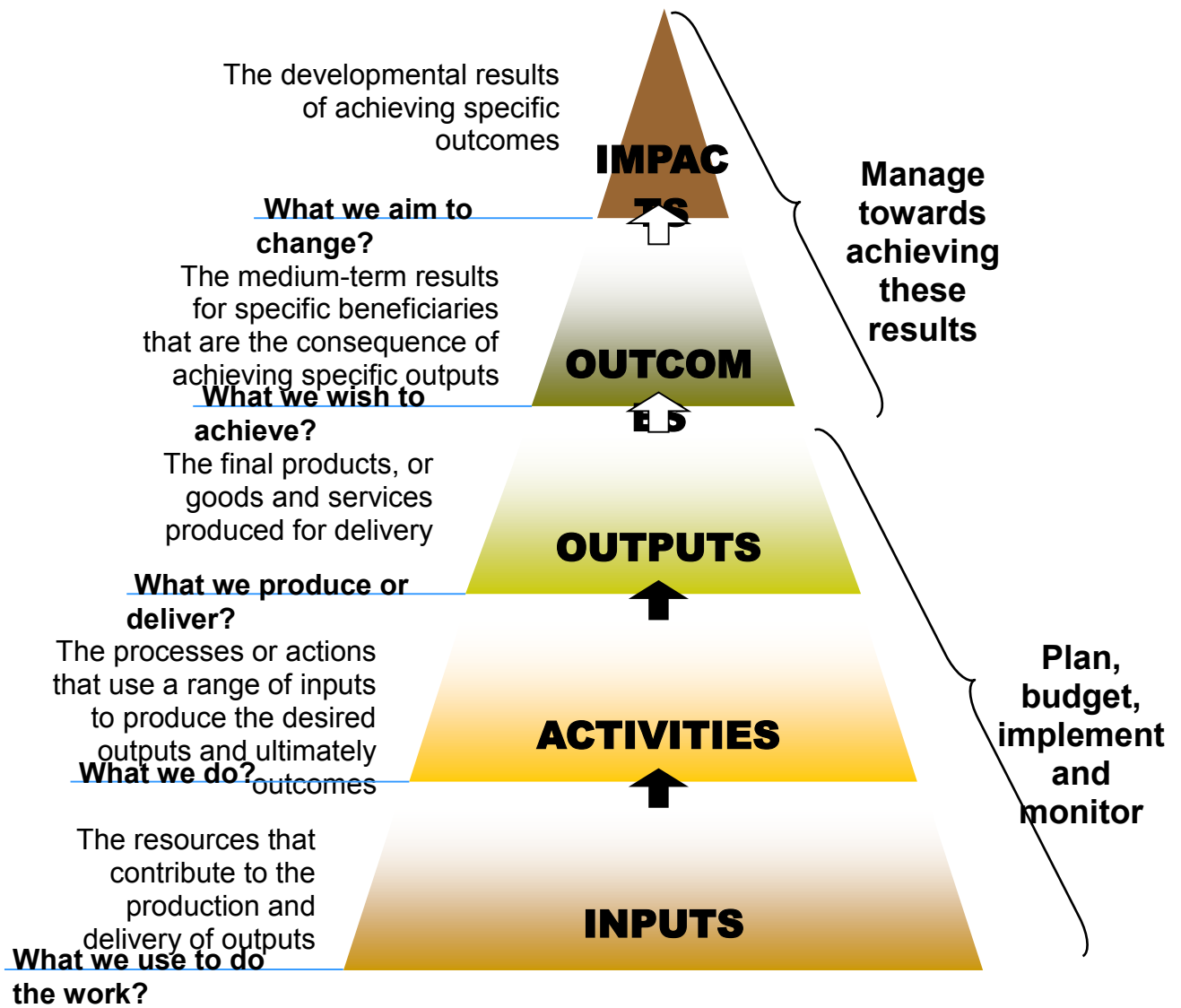


Figure 1 Planning, budgeting and reporting cycle

The performance of the 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:



2.4 Overview of budget related-policies

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

The purpose of these policies is to prescribe the accounting and administrative and procedures relating to Ephraim Mogale Municipality.

The Municipality performs the procedures set out in the policies to ensure the effective planning and sound financial management

1. **Credit Debt Management Policy** - The implementation of this policy should be based on sound business practices. This includes credit worthiness checks when application for services is made, as well as debt collection through sanctions of warnings, disconnections, evictions and other legal processes.
2. **Supply Chain Management Policy** - The purpose of this manual is to prescribe the policies and procedures relating to Supply Chain Management of the EPRHAIM MOGALE Municipality. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost-effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services.
3. **Budget Policy** - The purpose of this policy is to provide an overview of the procedure for the structural process of Planning and Managing the Budget. The procedures include the development of budgets, including the preparation of the budget, revision, approval, monitoring and evaluation of budgetary performance for a financial year.
4. **Indigent Support Policy** - to provide access and regulate free basic services to all indigent households.
5. **Tariff and Rates Policy** –the purpose of this policy is to determine the tariffs which must be charged for the supply of the four major services, which are : water, electricity, sewerage & refuse.
6. **Property Rates Policy** – the purpose of this policy is to assist the municipality to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation and which takes account of historical imbalances and the burden of rates on the poor.
7. **Investment policy** – this policy prescribes for the management of cash and the investing of municipal money. Travel and Subsistence Policy
8. **Travel and Subsistence** - This policy regulates the re-imbusement of travelling and subsistence cost to officials and councilors attending to official business.
9. **Cell Phone Policy** - The aim of this policy is to: regulate the granting of cell phones allowance to the employees of Ephraim Mogale Local Municipality improve the communication in the workplace and to the public, in order to give a better service.

10. **Funding and Reserve Policy**- This policy ensures that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities.
11. **Overtime and standby policy** – To provide framework and guidelines for the implementation and maintenance of overtime and standby worked and the remuneration attached thereto.
12. **Acting Allowance Policy**– Provide guidelines for the handling of acting in various positions
13. **Virement Policy**- Provides guidance on how and when they may shift funds between items, projects, programmes within their areas of responsibilities.
14. **Transport Allowance** - To provide Ephraim Mogale Local Municipality with uniform procedures, conditions and limitations for transport allowances in a consistent, fair and equitable manner.

2.5 Overview of budget assumptions

2.5.1 External factors

We will further investigate the following during our public participation process as well as per internal research and take the following into consideration:

- Confirm the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality or entity,
- Ensure the need to ensure financial sustainability,
- Reconsider the local economic conditions and the affordability of services,
- Taking into consideration the municipality's indigent policy.
- We also considered relevant policy developments in the different sectors.
- In considering changes in property rates, the municipality took cognizance of local economic conditions such as the changes in the property market, trends in household incomes and unemployment. Excessive increases in property rates and other tariffs are likely to be counterproductive, resulting in higher levels of non-payment and increased bad debts.

2.5.2 General inflation outlook and its impact on the municipal activities

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

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration by 7%.
- The 80% average payment rate.

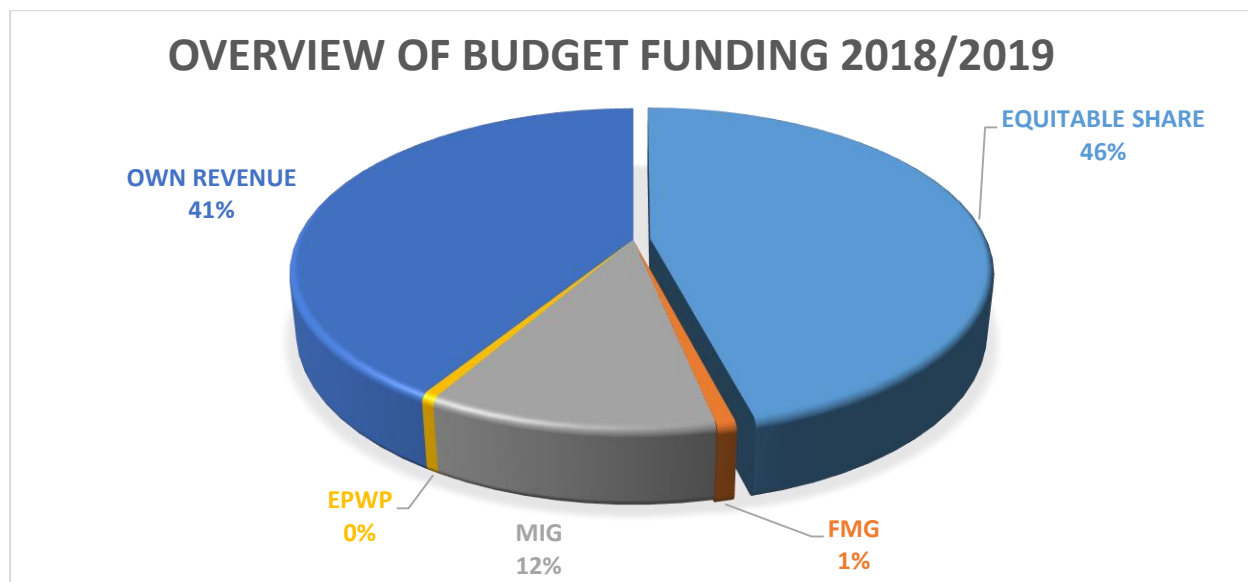
2.6 Overview of Budget Funding

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;

- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer Table A8: Cash backed reserves/accumulated surplus reconciliation' and Supporting Table SA10: Funding measurement.



2.7 Expenditure on allocations and grants programmers

NAME OF THE GRANT	ALLOCATION AUTHORITY/DEPARTMENT	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	PURPOSE
EQUITABLE SHARE	National Government	144,977,000	155,477,000	167,068,000	To implement the Programme by providing capital subsidies to municipalities to address the electrification backlog
FINANCE MANAGEMENT GRANT (FMG)	National Government	2,680,000	3,112,000	3,376,000	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
MIG (MUNICIPAL INFRASTRUCTURE GRANT)	National Government	33,443,000	35,160,000	37,630,000	To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions.
EPWP- EXTENDED PUBLIC WORKS PROGRAMME	National Government	1,317,000	-	-	To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

Expenditure on grants can also be viewed in SA19 and SA20 attached with other supporting documents in Annexure A

2.8 Allocation and Grants made by the Municipality

- Allocation and Grants made by the Municipality is reflected in Annexure A

2.9 Councilors and employee benefits

Councillor and employee benefits can be viewed in SA 22 and 23, together with the summary of the personnel numbers in SA24 attached as Annexure **A**

2.10 Monthly targets for revenue, expenditure and cash

Disclosure on monthly targets for revenue, expenditure and cash flow is made in the following MTREF tables:

- (A) TABLE SA25 - Budgeted monthly revenue and expenditure
- (B) TABLE SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- (C) TABLE SA27 - Budgeted monthly revenue and expenditure (standard classification)
- (D) TABLE SA28 - Budgeted monthly capital expenditure (municipal vote)
- (E) TABLE SA29 - Budgeted monthly capital expenditure (standard classification)
- (F) TABLE SA30 - Budgeted monthly cash flow

2.11 Annual budgets and SDBIPs – internal departments

- In terms of section 53(1)(c)(ii) of the MFMA the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget. The monthly and quarterly service delivery targets and performance indicators will be revised to correspond with the 2019/2020 budget.

2.12 Contracts having future budgetary implications

- In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

2.13 Capital expenditure details

Capital Details are shown in the following MTREF Tables:

- TABLE SA 34a – Capital expenditure on new assets by assets class
- TABLE SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE SA 34c – Repairs and maintenance expenditure by assets class
- TABLE SA 34d - Depreciation by assets classification
- TABLE SA 35 – Future financial implications of the capital budget
- TABLE SA 36 – Detailed capital budget per municipal vote
- TABLE SA 37– Projects delayed from previous financial year

2.14 Legislation compliance status

The Municipality operations are governed by an array of different acts.

The following Acts and prescripts are central in defining municipal boundaries and areas of influence:

- ◆ Regional Services Council Act, 1985 (Act 109 of 1985)
- ◆ Local Government: Municipal Structures Act, Act 117 of 1998 with all its amendments to date.

- ◆ Local Government : Municipal Systems Act, Act 32 of 2000 with all its amendments to date in its entirety together with regulations promulgated and applicable to high capacity municipalities.
- ◆ Local Government: Municipal Finance Management Act, Act 56 of 2004 in its entirety including regulations promulgated.
- ◆ Compliance is also given to circulars by National Treasury in line with the Municipal Systems Act and the Municipal Finance Management Act
- ◆ Local Government : Property Rates Act, Act 6 of 2004 and its promulgated regulations

Thus not only is Ephraim Mogale Local Municipality responsive to national government legislation, it has to comply with all the local government regulations and acts.

2.15 Other Supporting Document.

Other supporting documents entail supporting budget tables on SA1 to SA38, attached as **Annexure A**

2.16 Annual Budget of municipal entities to the municipal annual budget

- Not applicable