

REPORT OF THE MAYOR

PURPOSE

The purpose of the item is for Council to consider the MTREF for 2014/2015-2016/2017 as required by Chapter 4 of the Municipal Finance Management Act no 56 of 2003.

BACKGROUND

The budget outlined as annexure A and B was prepared in consultation with all departments in the municipality as well as informed by the following documents;

- Circular 48, 51, 58, 59, 66 and 67, 70, 71,72 of National Treasury
- Division of Revenue Act

Revenue

Revenue

The municipality has succeeded in most of the service to maintain tariff increases within the growth limits set by the National Treasury in line with the inflation target of the Reserve Bank of 6.80 per cent. However, the electricity increases are as per NERSA guidelines and were approved at 7.39 per cent. The municipality has at the same time prepared the electricity tariffs in order to comply with NERSA requirements for inclining block tariffs which resulted in an average increase of 7.36% for the 2014/2015 financial year. The inclining block tariff is meant to achieve cross subsidization in order to benefit poor or low income customers and less consuming customers.

The tariff increases are reflected in the table below:

Services	% Tariff increase
Property rates	6.8%
Electricity	7.39%
Refuse removal	6.8%
Sundry	6.8%

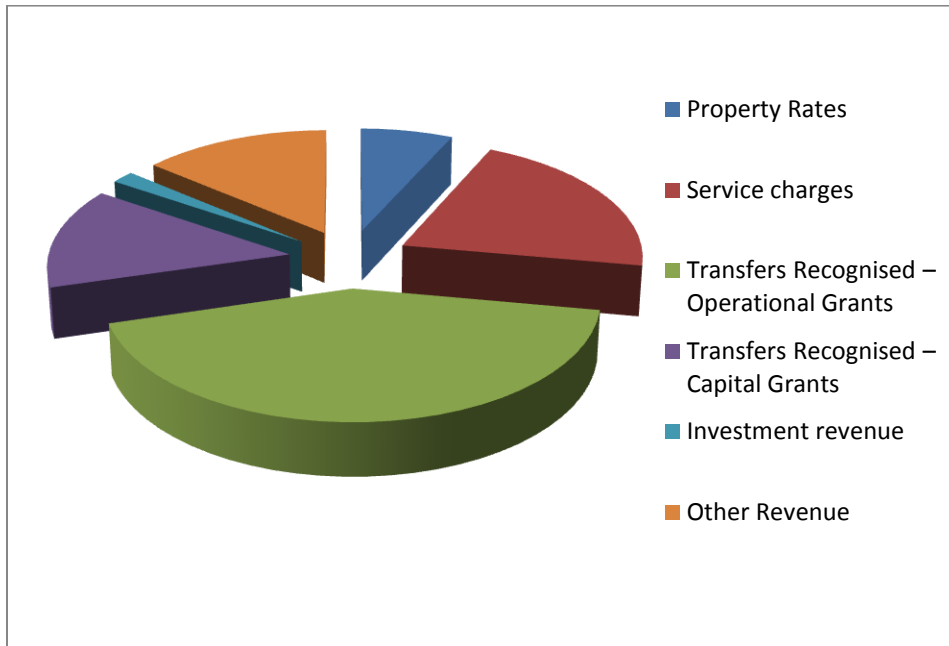
Trends in major sources of own revenue

- Revenue from own sources, which is total revenue excluding transfers represents 43.4% of total revenue in 2014/2015. This has reduced in comparison with the previous financial year and indicates that the municipality is still largely dependent on government grants. Total transfers from National Treasury represent a total of 56.60% of the municipal revenue in 2014/15.
- Electricity and property rates remain the major source of own revenue for the municipality.
- Service charges revenue contributes an entire 48.36% of own revenue over the medium term period as per **Table A1 Budget Summary** in Annexure A, and represent an average increase of 7.36% from prior year as a result of inclining block tariff application on electricity increases.

Total revenue of R 223 494 133.93 has been budgeted for in the 2014/15 financial year which is an average increase of 10.94% from 2013/2014 so as to enable the municipality to fund its operating and capital expenditure:

Description	Budget 2014/15
	Rands
Property Rates	15 204 926.44
Service charges	46 905 863.21
Transfers Recognised – Operational Grants	95 427 000.00
Transfers Recognised – Capital Grants	31 070 000.00
Investment revenue	3 813 255.51
Other Revenue	31 073 088.77
Total Revenue	223 494 133.93

TOTAL REVENUE FOR 2014/15 MTREF



Other revenue consists of all other revenue sources of the municipality that are not main sources such as , hiring of facilities, traffic revenue, etc.

Expenditure

Total expenditure of R 234 914 679.55 has been provided for in the 2013/14 MTREF. Allocations of R71 685 000 will be used for capital expenditure whereas the difference of R163 229 679.60 will be allocated for the municipal operations.

Employee related costs

An increase of 6.9% has been provided in the 2013/14 financial year. A number of vacancies that were identified in the 2012/13 MTREF were not filled due to non-evaluation of unfilled position and related challenges on benchmarking for those positions. These posts are marked as vacant on the organogram. In the 2013/14 we have therefore budgeted for expenditure on ensuring that positions are evaluated and benchmarked to be filled in the 2014/15 financial year.

Additional allocation has been provided for additional provision of interns in the Strategic Planning Unit and Internal Audit division.

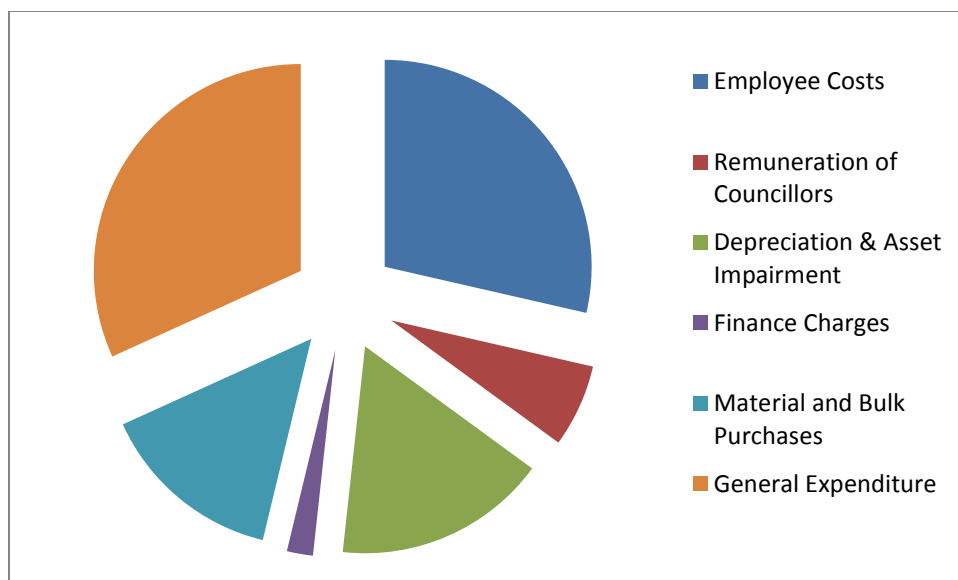
General Expenditure

The current CPIX increase outlined within circular 67 to be utilized by municipalities in the estimation of their expenditure for 2013/14 is approximately 6%. General expenditure vote's increases within the budget follow the 6% increase guide using twelve months actual expenditure trends for the 2012/13 financial year as a basis.

Operating expenditure is budgeted as follows:

Operational Expenditure Description	2014/15	2015/16	2016/17
	R'000	R'000	R'000
Employee Costs	47 115	49 941	53 138
Remuneration of Councillors	10 656	11 338	12 063
Depreciation & Asset Impairment	27 500	27 000	26 773
Finance Charges	3 360	5 205	80
Material and Bulk Purchases	23 828	25 258	26 773
General Expenditure	52 390	67 574	48 042
	R163 230	R168 436	R178 038

TOTAL OPERATING EXPENDITURE FOR 2014/15 MTREF



- Operating expenditure has decreased by an average of 2.16% from 2013/14 to 2014/15. This is mainly due to the effect of zero based budgeting coupled with activity based budgeting on operational expenses. A number of cost containment measures were implemented on operational expenses as a result of MFMA Circular 58, 66, 67 and 70.
- Employee related costs represent 29.43% of the operational expenditure over the MTREF. The 29.43% is expected to grow significantly towards the ceiling provided when all vacant positions are filled in the 2014/15 financial year. Therefore strict principles of sound financial management were applied to ensure that there is sustainability of the municipality over the medium to long term.

Capital Expenditure is as follows:

Internally Funded Projects:-

PROJECT	BUDGET 2014/2015	Ward
Corporate Services		
Fire Detectors	400 000	7
Purchase and install fixed projectors and remote controlled screen in the Council chamber, the community hall and satellite offices	350 000	all
Transfer of old files to Archive repository	300 000	7
Installation of network cable and linking of offices	100 000	7
TOTAL CORPORATE SERVICES	1 150 000	
Community Services		
Machinery and equipment (solid waste)	6 245 000	all
Extension of building (landfill)	120 000	7
Landscaping Marble Hall town	2 500 000	7
Machinery and equipment (parks)	1 400 320	all

Infrastructure for new cemetery Marble Hall	250 000	7
TOTAL COMMUNITY SERVICES	10 515 320	
Technical Services		
Mohlalotwane internal street (Planning and designs)	1 800 000	11
Leeuwfontein extension highmast	1 200 000	8
Elandskraal highmast	2 000 000	15
Driefontein Community Hall	3 200 000	1
New LDV	350 000	7
Rehabilitation of M/Hall Total garage road	5 000 000	7
Upgrading of Leeuwfontein internal streets	7 500 000	8
Moomane Community Hall	3 450 000	13
Makgatle A & B phase 2 road	5 450 000	10
Mogalatsane/Phetwane Internal Road	9 500 000	16
Dichoueng Internal road (Planning and design)	1 500 000	14
TOTAL	40 950 000	
TOTAL INTERNALLY FUNDED	52 615 320	

MIG Funded Projects:

Project Description	2014/15 Budget	Ward
Upgrading of road and stormwater Matilu	9 500 000	11
Upgrading of road and stormwater Puleng	9 500 000	11
Elandskraal internal streets	10 000 000	15
Letebejane & Ditholong internal road(Planning and designs)	1 292 000	16
TOTAL MIG FUNDED	30 292 000	

Total capital 2014/2015: R83 807 320

Capital expenditure has grown with an overall increase of 14% from 2013/14 budget. A portion of the Municipal Infrastructure grant has been allocated to operational expenditure. A total of R31 070 000 will be recognized as transfers from National Treasury and R30 292 000 of the allocation is allocated to capital projects. We trust that the council, noting that this is a widely consulted budget, will hit the ground running in terms of implementation thereof.

PROPOSED RECOMMENDATIONS

1. That Council approves the budget of Ephraim Mogale Local Municipality for the financial year 2014/15 and indicative allocations for the two projected outer years of 2015/16 and 2016/17, as well as multiyear and single year appropriations, be considered as set out in new budget and reporting regulations, attached as **Annexure A** to the budget document:-
 - Budgeted Financial Performance (revenue and expenditure by standard classification)
 - Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - Budgeted Financial Performance (revenue by source and expenditure per type)
 - Multiyear and single year capital appropriations by municipal vote; standard classification and associated funding source;
2. That Council approves the Medium Term Revenue and Expenditure Framework consisting of operational and capital budget for 2014/15 -2015/16 and 2016/17. The Operational expenditure be incurred according to the schedule below:-

Operational Expenditure Description	2014/15	2015/16	2016/17
	R'000	R'000	R'000
Employee Costs	47 115	49 941	53 138
Remuneration of Councillors	10 656	11 338	12 063
Depreciation & Asset Impairment	27 500	27 000	26 773
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3. That Council approves the tariff in terms of Section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003, Section 74 and 75A of the Local Government: Municipal System Act, 32 of 2000, as amended and the Municipal Property rates Act 6 of 2004, as well as NERSA regulations; the tariff for the supply of electricity, waste removal services, sundry and property rates as set out below be considered for implementation with effect from 1 July 2014:-

Services	% Tariff increase
Property rates	6.8%
Electricity	7.39%
Refuse removal	6.8%
Sundry	6.8%

4. That Council approves the following budget related policies and by laws as set out in **Annexure B**:
 - Tariff and Sundry Charge Policy
 - Property rates Policy
 - Virement Policy

- Credit Control and Debt Collection Policy
- Inventory Policy
- Investment Policy
- Cell Phone Policy
- Overtime and Standby Policy
- Acting Allowance policy
- Recruitment and Selection Policy
- Supply Chain Management Policy

5. That Council approves the proposed organizational structure as set out on pages

6. That Council approves the Integrated Development Plan for 2014/2015 as set out on pages

~~5.7.~~ That the Acting Municipal Manager implements the decision of Council accordingly