

**DRAFT ANNUAL BUDGET OF
EPRHAIM MOGALE
LOCAL MUNICIPALITY**

**2015/16 TO 2017/18
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 Programme
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

- Mayor's report to be made available in the final approval of the budget.

1.2 Council Resolution

On 31 March 2015 the Council of Ephraim Mogale Local Municipality met in the Council Chambers of Ephraim Local Municipality to consider the tabled draft annual budget of the municipality for the financial year 2015/16. The Council approved and adopted the draft annual budget through resolution number SC9/01/2015 **attached as Annexure A.**

1.3 Executive Summary

DRAFT BUDGET: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR 2015/16 , 2016/2017 AND 2017/2018 FINANCIAL YEARS

REPORT OF THE ACTING CHIEF FINANCIAL OFFICER

PURPOSE

To table to Council the Draft Budget: Medium Term Expenditure Framework for 2015/16, 2016/2017 and 2017/2018 for consideration and approval.

BACKGROUND

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."

c. Circular 74 and 75 issued by National Treasury provide further guidance for the preparation of 2015/2016 MTREF. All other MFMA Budget Circulars as well as departmental inputs were taken into consideration when preparing the draft budget.

The Medium Term Budget Review 2015

These circulars further guide on the issues in the *Medium Term Budgets and Review 2015* whereby municipalities need to pay attention to:

Fiscal constraints as a result of slowdown in economy since 2012, mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Accordingly, municipalities must renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore they must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework.

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost.

Changes in the 2015 Division Revenue Bill

Review of local government infrastructure grants

The collaborative review of the local government infrastructure grant system led by the National Treasury is still underway. The first phase of the review, completed in 2014, identified two necessary reforms that will be made in 2015/16:

- The rules in the municipal infrastructure grant will be amended to allow funds to be used to refurbish and replace infrastructure, but only if municipalities demonstrate that assets have been maintained on a regular basis. Maintenance must be budgeted for as part of the normal business of municipalities.
- The number of conditional grants will be reduced to ease the burden of grant reporting. The two public transport grants will merge in 2015/16 into a single public transport network grant. The number of water and sanitation grants is also likely to be reduced from 2016/17.

Further changes to local government infrastructure grants will be announced in the 2015 MTBPS. In preparing for 2016/17 grant allocations, municipalities are advised to continue preparing business plans and project plans for the existing grants as there will be a phase-in period for any changes to the grant system.

The local government financial management grant (FMG) and the municipal systems improvement grant (MSIG) provides funds for the implementation of the Municipal Standard Chart of Accounts (mSCOA).

Other changes to local government allocations are more technical and reflect the shift of funds between direct and indirect grants, and the impact of the national macro-organisation of the state that followed the

2014 national elections. For example, the sanitation function, including all sanitation-related grants, has shifted from the Department of Human Settlements to the Department of Water and Sanitation

A. Headline inflation forecasts.

Fiscal year	2014	2015	2016	2014/15	2015/16
	Actual	Estimate	Forecast	Forecast	Forecast
Real GDP growth	2.2	1.4	2.0	2.6	3.0
CPI Inflation	5.8%	5.6%	4.8%	5.9%	5.6%

Source: Budget Review 2015

B. Revising rates, tariffs and other charges

National Treasury guides that When municipalities revise their rates, tariffs and other charges for their 2015/16 budgets and MTREF, they need to take into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality or entity, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigent policy.

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

Assessment Rates:	6%
Electricity:	12.20%
Cleansing:	6%
Other income:	6%

Eskom bulk tariff increase

On the 29 January 2015, NERSA approved and published guidelines on municipal electricity price increase for the 2015/16 financial year. A guideline increase of 12.20 per cent has been approved based on the following assumptions:

- Bulk purchases have increased by 14.24 per cent in line with Eskom's electricity tariff increase to municipalities;
- A consumer price index (CPI) of 6.3 per cent as indicated in the Medium Term Budget Policy Statement (MTBPS) 2014;
- Salary and wage increases; and
- Repairs and maintenance, capital charges and other costs have increased by the CPI.

It should be noted that the guideline is not an automatic increase in tariffs. Therefore all municipalities with distribution licenses are still required to apply to NERSA for the approval of their tariffs. Accordingly the application has been sent to Nersa for the 12.20% electricity tariff increase. No approval has been granted yet.

Electricity levy increase

During his budget speech on 25 February 2015, the Minister of Finance announced that the electricity levy will be increased by 2 cents per kWh. A special municipal circular will be issued in due course to guide municipalities on the implementation of the 2 cents per kWh electricity levy. In the interim municipalities are advised to use the guideline issued by NERSA to set their tariffs for the 2015/16 financial year.

C. Funding choices and management issues

Employee related costs

The Salary and Wage Collective Agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial Year – 4.4 per cent (inflation linked)
- 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent.

As the negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/16 budgets.

Accordingly the municipality has made a 4.4% provision for the salary increase that are to be effected from July 2015. The municipality has also budgeted for new personnel as a means to respond to other priority issues and well as meeting its strategic objectives amounting to R 9 086 387.88.

The following is the new posts that have been catered for in the draft budget 2015/2016:

REQUIRED NEW PERSONNEL			
REGISTRATION AUTHORITY			
DEP	SAL NO		NAME
220	VACANT	NEW	FILING CLERK
LICENSING AND TRAFFIC			
DEP	SAL NO		NAME
225	VACANT	NEW	SECURITY OFFICER
225	VACANT	NEW	TRAFFIC OFFICER
225	VACANT	NEW	TRAFFIC OFFICER
225	VACANT	NEW	TRAFFIC OFFICER
ELECTRICITY			

DEP	SAL NO		NAME
260	VACANT	NEW	GENERAL WORKER
260	VACANT	NEW	HANDY MAN
SOLID WASTE			
DEP	SAL NO		NAME
360	VACANT	NEW	TRACTOR DRIVER
360	VACANT	NEW	TRUCK DRIVER
360	VACANT	NEW	GENERAL WORKER: CLEANER
360	VACANT	NEW	GENERAL WORKER: CLEANER
CORPORATE SERVICES MANAGEMENT			
DEP	SAL NO		NAME
450	VACANT	NEW	SATELLITE ADMIN
450	VACANT	NEW	MANAGER COMMUNICATION
450	VACANT	NEW	SPECIAL PROGRAM OFFICER
450	VACANT	NEW	MANAGER OFFICE OF THE MAYOR
450	VACANT	NEW	COUNCIL SUPPORT MANAGER
ADMINISTRATION			
DEP	SAL NO		NAME
500	VACANT	NEW	PRINCIPAL CLERK: RECORDS
500	VACANT	NEW	MANAGER LEGAL
COUNCIL GENERAL			
DEP	SAL NO		NAME
505	NEW	NEW	YOUTH OFFICER
HUMAN RESOURCES			
DEP	SAL NO		NAME
510	VACANT	NEW	EAP OFFICER
ROADS AND STORMWATER			
DEP	SAL NO		NAME
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	GENERAL WORKER
650	VACANT	NEW	ARTISANS
650	VACANT	NEW	ARTISANS
650	VACANT	NEW	GRADER OPERATOR
650	VACANT	NEW	GRADER OPERATOR
650	VACANT	NEW	SMALL PLANT OPERATOR
650	VACANT	NEW	ROLLER COMPACTOR
PLANNING AND DEVELOPMENT			
DEP	SAL NO		NAME
760	VACANT	NEW	INTERN: PLANNING

tabled before the municipal council for formal adoption. A broad guideline was provided on the minimum service standards to be incorporated in the budget documentation.

The municipality has complied with this requirement from National Treasury whereby service level standards were approved by Council June 2014 together with the Customer Care Policy that was approved in April 2012 as attached to the budget documentation.

D. Debt Impairment

A provision for debt impairment is made for 2015/16 to the amount of

R 6,900,000.00. This forms one of the non-cash items and was informed by outstanding debtors amounting R 45 691 422 and audited performance for 2013/2014.

E. Cost containment measures and non-priority spending

Building on cost containment guidelines approved by Cabinet in October 2013, government at all levels will need to identify opportunities to increase efficiency and reduce waste. At a national level, the 2015 budget will pay particular attention to reducing line items that are not critical to service delivery to reinforce cost containment. Municipalities are still urged to implement the cost containment measures on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering, events costs and accommodation.

Hence the management shall undertake to identify measures for cost containment taking into consideration the circumstances of the municipality and needs of the surrounding community.

F. Capital Budget

The proposed capital budget is set as follows:

PROJECT NAME		SOURCE OF FUNDING	DRAFT BUDGET 2015/2016	FORECAST 2016/2017	FORECAST 2017/2018
DEPT	INTERNALLY FUNDED PROJECTS				
220	MACHINERY & EQUIPMENT	INTERNAL	400 000.00	424 000.00	0.00
220	EXTENSION OF OFFICES	INTERNAL	800 000.00	848 000.00	0.00
220	PALISADE FENCE	INTERNAL	500 000.00	530 000.00	0.00
TOTAL FOR REGISTRATION AUTHORITY - COMMUNITY SERVICES			1 700 000.00	1 802 000.00	0.00
260	MOBILE TOILETS	INTERNAL	100 000.00	106 000.00	110 240.00
260	DICHOEUNG HIGHMAST	INTERNAL	250 000.00	265 000.00	275 600.00
260	PURCHASING OF LIGHT VEHICLE	INTERNAL	350 000.00	371 000.00	385 840.00
260	MOHLOTSI HIGHMAST	INTERNAL	250 000.00	265 000.00	275 600.00
260	MOHLAOTWANE HIGHMAST	INTERNAL	300 000.00	318 000.00	330 720.00
260	MBUZINI/MORARELA HIGHMAST	INTERNAL	300 000.00	318 000.00	330 720.00
260	TSHIKANOSHI HIGHMAST	INTERNAL	300 000.00	318 000.00	330 720.00
TOTAL FOR ELECTRICITY -INFRASTRUCTURE SERVICES			1 850 000.00	1 961 000.00	2 039 440.00

760	VACANT	NEW	INTERN: PLANNING
760	VACANT	NEW	PMS OFFICER
FINANCE			
DEP	SAL NO		NAME
775	VACANT	NEW	ACCOUNTANT ASSET MANAGEMENT
774	VACANT	NEW	MANAGER FINANCIAL REPORTING
775	VACANT	NEW	CHIEF FLEET OFFICER
775	VACANT	NEW	ACCOUNTANT FINANCIAL CONTROL
775	VACANT	NEW	SENIOR CLERK CREDIT CONTROL
775	VACANT	NEW	SCM DEMAND OFFICER
775	VACANT	NEW	DRIVER

Remuneration of councillors

Municipalities are advised to budget for the actual costs approved in line with the gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published by the Department of Cooperative Governance and Traditional Affairs. The gazette for 2015 will be released in due course. Municipalities are advised to refer to the circular issued on 23 January 2015 by the Department of Cooperative Governance and Traditional Affairs.

Budgeting for contingency plans for prolonged power outages

Municipalities have indicated that they are in the process of implementing contingency plans to address Eskom power outages such as the procurement of generators and indicated the need for funding from national government. The government is collectively working with Eskom to mitigate the impact of power cuts. These efforts will improve the availability of electricity over the medium term, and plans are under way to ensure that South Africa can generate sufficient energy to power its economy over the long term. The government therefore consistently encourages a reduction in energy consumption and promotion of energy efficiency. Consequently the response from government is to address the immediate challenge and it would therefore be premature for municipalities to invest in contingency infrastructure with the expectation of funding.

Although this provision as entailed in Circular 75, the municipality still needs to cater for Uninterrupted Power Supply and a generator and cost estimates have already been done to ensure uninterrupted power supply and complying with stringent mandated deadlines. And this will not impact negatively on the municipal budget as the contingency plans need only to be provided to the main office where major service delivery are being rendered to the public which will require an estimated budget of R 300 000.00.

Service level standards

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of the 2015/16 tabled MTREF budget documentation. The service level standards need to be

425	MACHINERY & EQUIPMENT	INTERNAL	636 339.20	674 519.55	714 990.73
425	LANDSCAPING& GREENING PROJECT	INTERNAL	1 200 000.00	1 272 000.00	1 348 320.00
425	EXTENSIONS TO CEMETERY	INTERNAL	500 000.00	530 000.00	561 800.00
TOTAL FOR PARKS AND CEMETERIES - COMMUNITY SERVICES			2 336 339.20	2 476 519.55	2 625 110.73
500	INSTALLATION OF FIRE DETECTORS	INTERNAL	407 712.00	432 174.72	458 105.20
500	PURCHASE OF FURNITURE	INTERNAL	700 000.00	742 000.00	786 520.00
500	FIRE DETECTORS RECORDS & ARCH	INTERNAL	56 162.00	59 531.72	63 103.62
500	ARCHIVES	INTERNAL	350 000.00	371 000.00	393 260.00
TOTAL ADMINISTRATION - CORPORATE SERVICES			1 513 874.00	1 604 706.44	1 700 988.83
650	DUMPER X2	INTERNAL	650 000.00	663 000.00	669 630.00
650	MOGANYAKA LOW BRIDGE	INTERNAL	9 000 000.00	9 180 000.00	9 271 800.00
650	CONSTRUCTION OF N11	INTERNAL	2 000 000.00	2 040 000.00	2 060 400.00
650	STORMWATER EXT 6	INTERNAL	9 000 000.00	9 180 000.00	9 271 800.00
650	SAWCUTTER X2	INTERNAL	120 000.00	122 400.00	123 624.00
650	BOMAG ROLLER	INTERNAL	500 000.00	510 000.00	515 100.00
650	MOBILE TOILETS	INTERNAL	240 000.00	244 800.00	247 248.00
650	ROAD & STORM WATER MASTERPLAN	INTERNAL	1 000 000.00	1 020 000.00	1 030 200.00
650	LETEBEJANE&DITHOLONG INT ROAD	INTERNAL	1 500 000.00	1 530 000.00	1 545 300.00
650	DICHOEUNG INTERNAL ROAD	INTERNAL	8 000 000.00	8 160 000.00	8 241 600.00
TOTAL FOR ROADS AND STORMWATER			32 010 000.00	32 650 200.00	32 976 702.00
TOTAL INTERNALLY FUNDED CAPITAL PROJECTS			39 410 213.20	40 494 425.99	39 342 241.55
DEPT	MUNICIPAL INFRASTRUCTURE GRANT FUNDED CAPITAL PROJECTS				
650	ELANDSKRAAL INTERNAL STREETS	MIG	14 000 000.00	14 280 000.00	14 422 800.00
650	UPGRADING OF ROAD MATILU	MIG	5 000 000.00	5 100 000.00	5 151 000.00
650	UGRADING OF ROAD PULENG	MIG	5 000 000.00	5 100 000.00	5 151 000.00
650	MOHLALAOTWANE INTERNAL STREET	MIG	6 805 000.00	6 941 100.00	7 010 511.00
TOTAL FOR MIG FUNDED CAPITAL PROJECTS			30 805 000.00	31 421 100.00	31 735 311.00
TOTAL CAPITAL BUDGET FOR EPMLM			70 215 213.20	71 915 525.99	71 077 552.55

Excluded in the MIG funding is the cost for PMU Establishment amounting to R 1 600 000.00, which has been disclosed with Operational General Expenditure. Hence the total grant funding in relation to MIG is R 32 405 000.00

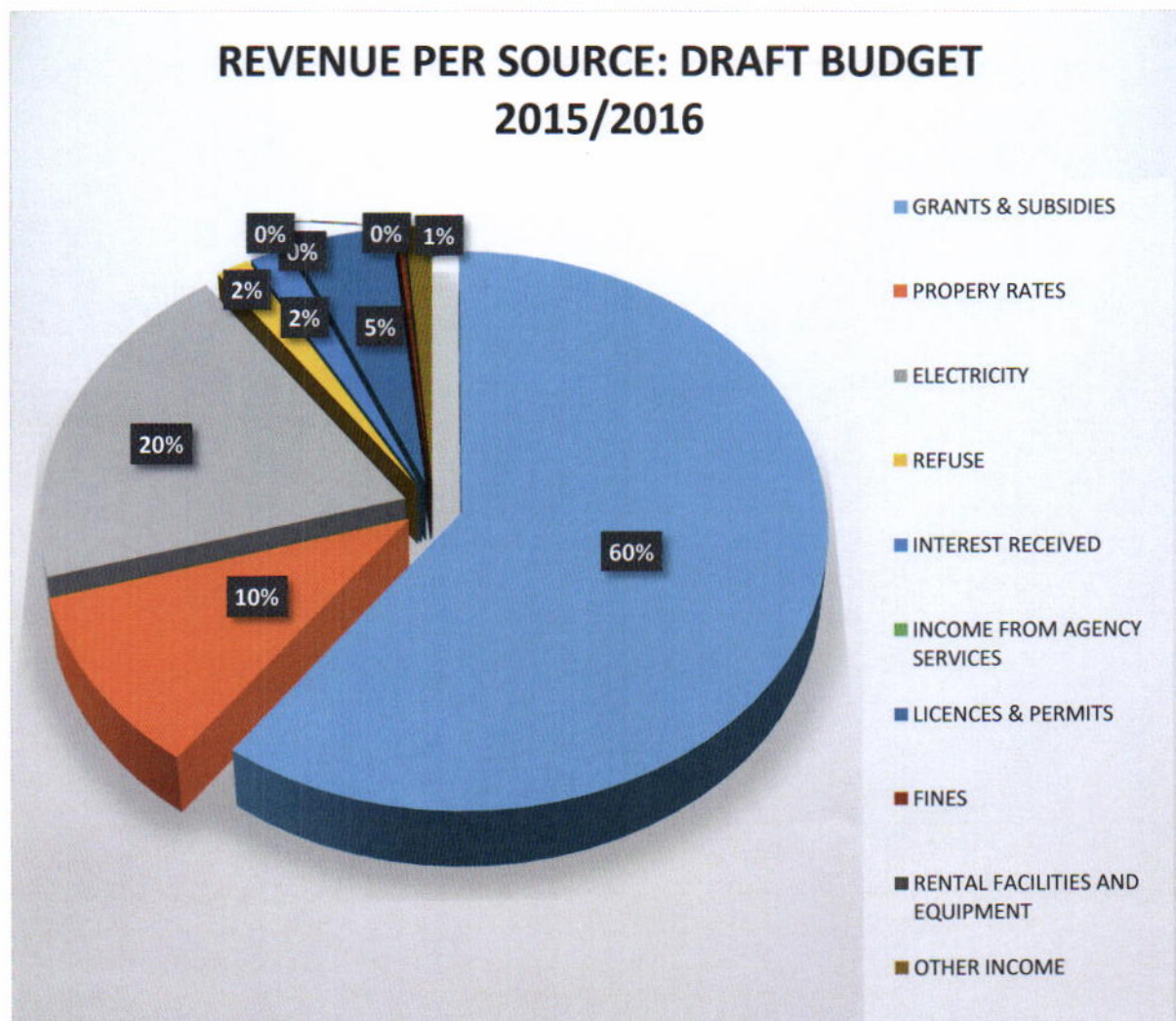
G. Operating Revenue Framework

i) Total budgeted revenue

ITEM DESCRIPTION	ANNUAL BUDGET 2010/2015	ADJUSTMENT BUDGET 2014/2015	DRAFT BUDGET 2015/2016		FORECASTT 2016/2017	FORECAST 2017/2018
REVENUE PER SOURCE						
GRANTS & SUBSIDIES	126 497 000.00	126 497 000.00	154 713 000.00	60%	157 550 000.00	158 680 000.00
EQUITABLE SHARE	91 614 000.00	91 614 000.00	118 546 000.00	46%	121 195 000.00	120 142 000.00

GRANT: MIG	31 070 000.00	31 070 000.00	32 405 000.00	13%	33 588 000.00	35 360 000.00
GRANT: MSIG	934 000.00	934 000.00	930 000.00	0%	957 000.00	1 033 000.00
GRANT: FINANCIAL MANAGEMENT	1 600 000.00	1 600 000.00	1 675 000.00	1%	1 810 000.00	2 145 000.00
EPWP INCENTIVE GRANT	1 279 000.00	1 279 000.00	1 157 000.00	0%	0.00	0.00
REVENUE GENERATED FROM OWN SOURCES	96 425 753.92	97 004 262.23	102 461 350.69	40%	108 609 031.73	115 125 573.63
PROPERTY RATES	15 204 926.44	25 251 278.44	26 766 355.15	10%	28 372 336.46	30 074 676.64
ELECTRICITY	44 881 130.30	44 881 130.30	50 356 628.20	20%	53 378 025.89	56 580 707.45
REFUSE	3 935 278.31	3 935 278.31	4 171 395.01	2%	4 421 678.71	4 686 979.43
INTEREST RECEIVED	4 827 855.51	7 148 633.51	4 692 135.18	2%	4 973 663.29	5 272 083.09
INCOME FROM AGENCY SERVICES	1 827 225.69	0.00	0.00	0%	0.00	0.00
LICENCES & PERMITS	21 576 956.17	11 576 956.17	12 271 573.54	5%	13 007 867.95	13 788 340.03
ES	635 169.07	735 169.07	684 411.45	0%	725 476.14	769 004.71
ENTAL FACILITIES AND EQUIPMENT	186 254.62	186 254.62	197 429.90	0%	209 275.69	221 832.23
OTHER INCOME	3 350 957.81	3 289 561.81	3 321 422.27	1%	3 520 707.60	3 731 950.06
TOTAL OPERATING REVENUE GENERATED	222 922 753.92	223 501 262.23	257 174 351	100%	266 159 031.73	273 805 573.63
LESS REVENUE FORGONE	0.00	0.00	0.00		0.00	0.00
TOTAL DIRECT OPERATING REVENUE	222 922 753.92	223 501 262.23	257 174 350.69	100%	266 159 031.73	273 805 573.63

The following graph represents the percentage of the proposed budget per revenue source



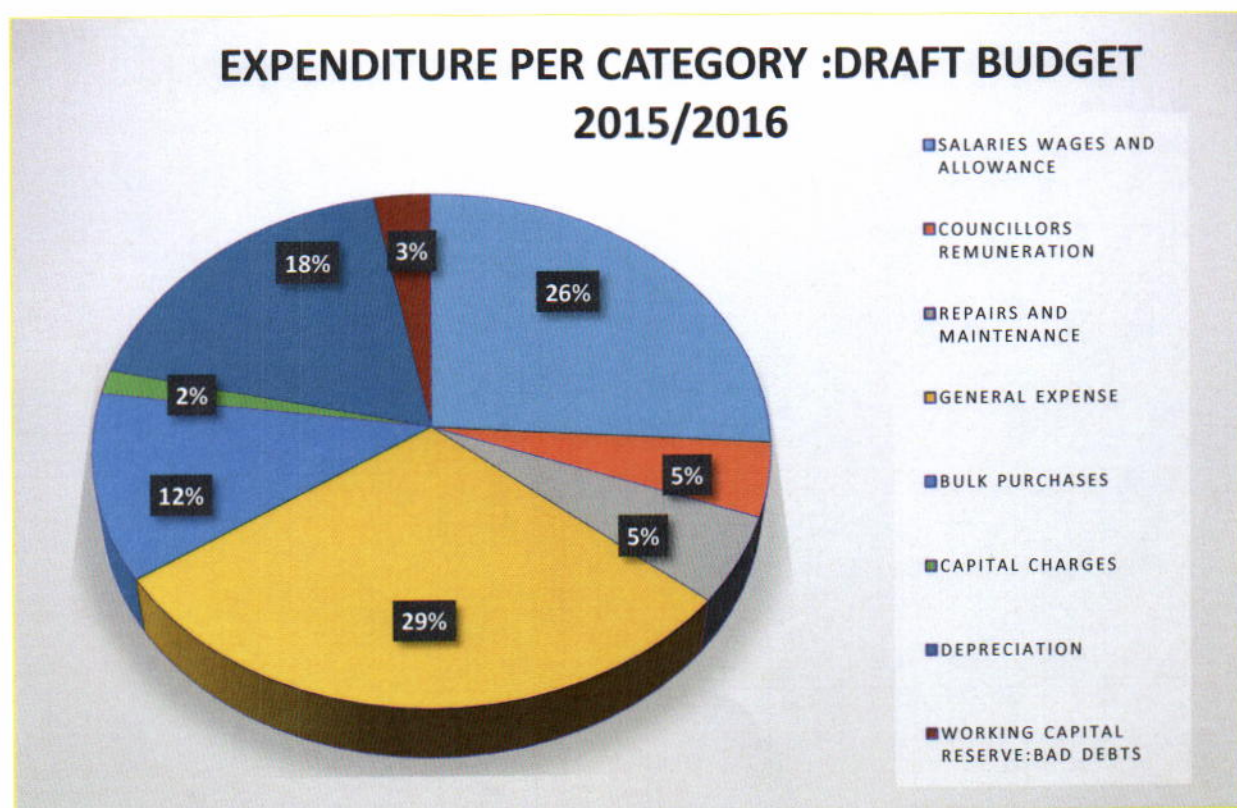
ii) Grants and Subsidies

ITEM DESCRIPTION	ANNUAL BUDGET 20104/2015	ADJUSTMENT BUDGET 2014/2015	DRAFT BUDGET 2015/2016	FORECAST 2016/2017	FORECAST 2017/2018
GRANTS & SUBSIDIES					
EQUITABLE SHARE	91 614 000.00	91 614 000.00	118 546 000.00	121 195 000.00	120 142 000.00
GRANT: MIG	31 070 000.00	31 070 000.00	32 405 000.00	33 588 000.00	35 360 000.00
GRANT: MSIG	934 000.00	934 000.00	930 000.00	957 000.00	1 033 000.00
GRANT: FINANCIAL MANAGEMENT	1 600 000.00	1 600 000.00	1 675 000.00	1 810 000.00	2 145 000.00
EPWP INCENTIVE GRANT	1 279 000.00	1 279 000.00	1 157 000.00	0.00	0.00
TOTAL GRANTS AND SUBSIDIES	126 497 000.00	126 497 000.00	154 713 000.00	157 550 000.00	158 680 000.00

H. Total Budgeted Expenditure

ITEM DESCRIPTION	ADJUSTMENT BUDGET 2014/2015	DRAFT BUDGET 2015/2016	% of Budget	DRAFT BUDGET 2016/2017	DRAFT BUDGET 2017/2018
SALARIES WAGES AND ALLOWANCE	50 070 665.53	60 672 803.66	26%	64 313 171.88	68 171 962.19
COUNCILLORS REMUNERATION	10 156 092.92	10 765 458.50	5%	11 411 386.00	12 096 069.17
REPAIRS AND MAINTENANCE	9 980 850.88	12 714 726.51	5%	13 477 610.10	14 136 594.70
GENERAL EXPENSE	46 843 052.26	68 458 190.03	29%	71 094 961.43	74 913 889.47
BULK PURCHASES	23 827 854.64	27 220 941.14	12%	28 854 197.61	29 431 281.56
CAPITAL CHARGES	3 360 200.00	3 561 812.00	2%	3 775 520.72	4 002 051.96
DEPRECIATION	40 000 000.00	42 400 000.00	18%	44 944 000.00	47 640 640.00
WORKING CAPITAL RESERVE:BAD DEBTS	6 000 000.00	6 900 000.00	3%	7 314 000.00	7 752 840.00
TOTAL OPERATING EXPENDITURE	190 238 716.23	232 693 931.83	100%	245 184 847.74	258 145 329.05
CAPITAL COST	79 262 546.00	70 215 213.20	23%	71 915 525.99	71 077 552.55
TOTAL BUDGET INCLUDING CAPEX	269 501 262.23	302 909 145.03		317 100 373.73	329 222 881.60
OPERATING SURPLUS / (DEFICIT)	-46 000 000.00	-45 734 794.34		-50 941 342.00	-55 417 307.97

The following graph represents the percentage of the proposed budget of expenditure per category:



Budget Consultation Meetings

Budget Consultation meetings should be held during the month of April 2015, wherein all issues raised should be considered by Council in May 2015 before final approval is made. The draft budget should therefore be published and sent to all relevant stakeholders for comments.

Conclusion

The MTREF for 2015/2016 – 2017/2018 has a deficit amounting to R 45 734 794.34, this is inclusive of non-cash items (depreciation and debt impairment) amounting to R 49 300 000.00.

PROPOSED RECOMMENDATIONS

1. **That** The draft Medium Term Revenue and Expenditure Framework for 2015/16 – 2017/18 of Ephraim Mogale Local Municipality be considered and approved with all budget tables A1 to A10.
2. **That;** the council approves the draft Medium Term Revenue and Expenditure Framework for 2015/16 – 2017/18 of Ephraim Mogale Local Municipality and all supporting documents and / tables SA1 to SA37 and the Accounting Officer to submit to Provincial and National Treasuries and other relevant departments by the 10th April 2015.
3. **That** the proposed budget request for new personnel amounting to R 9 086 387.88 be considered and approved.
4. **That** the proposed multiyear and single year appropriation capital be considered and approved as summarized below:

DEPT	CAPITAL PROJECTS	SOURCE OF FUNDING	DRAFT BUDGET 2015/2016	FORECAST 2016/2017	FORECAST 2017/2018
VARIOUS	EPMLM	INTERNALLY FUNDED	39 410 213.20	40 494 425.99	39 342 241.55
VARIOUS	EPMLM	MIG FUNDED	30 805 000.00	31 421 100.00	31 735 311.00
TOTAL CAPITAL BUDGET FOR EPMLM			70 215 213.20	71 915 525.99	71 077 552.55

5. **That** Council considers and approves the proposed tariffs of 12.20% for electricity as guided by Nersa.
6. **That** the following proposed tariffs be considered and approved;

Assessment Rates:	6%
Electricity:	12.20 %
Cleansing:	6%
Other income:	6%
7. **That** the 4.4% salary increase as guided by National Treasury circulars and SALGA be approved.
8. **That** the budget deficit with regards to non-cash items be considered and approved.

9. **That** Council notes the following budget related policies under review:

- Budget Policy
- Grants, Donations, Sponsorship and Gifts Policy
- Tariffs and Sundry Charge Policy
- Property Rates Policy
- Virement Policy
- Credit Control and Debt Collection Policy
- Inventory Policy
- Indigent Support Policy
- Investment Policy
- Cellphone Policy
- Overtime and Standby Policy
- Acting Allowance Policy
- Transport Allowance Policy
- Travel and Subsistence Policy
- Supply Chain Management Policy

10. **That** the draft SDBIP in line with the budget be compiled.

11. **That** the budget be presented to the community through public participation during the month of April 2015.

12. **That** The Accounting Officer must publish the approved budget with all budget tables, A1 to A10 and supporting tables SA1 to SA37 in the municipal website.

13. That the Acting Municipal Manager implements decision accordingly.

1.4 OPERATING REVENUE FRAMEWORK

LIM471 Ephraim Mogale - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	11 216	12 252	16 863	15 205	25 251	25 251	25 251	26 766	28 372	30 075
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	30 419	35 666	33 879	43 326	46 359	46 359	46 359	52 441	55 587	58 923
Service charges - water revenue	2	1 213	1 268	-	1 711	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2 731	2 941	2 473	3 654	3 874	3 874	3 874	4 158	4 408	4 672
Service charges - other											
Rental of facilities and equipment		155	107	148	236	185	185	185	197	209	222
Interest earned - external investments		4 116	5 433	1 196	4 127	3 412	3 412	3 412	3 412	3 617	3 834
Interest earned - outstanding debtors		-	-	-	-	1 280	1 280	1 280	1 280	1 357	1 439
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		223	162	496	192	735	735	735	684	725	769
Licences and permits		4 331	3 803	9 305	22 248	11 577	11 577	11 577	12 537	13 290	14 087
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		80 291	103 546	95 736	95 427	95 427	95 427	95 427	122 308	123 962	123 320
Other revenue	2	1 544	90	-	1 544	1 637	1 637	1 637	984	1 044	1 107
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		136 239	165 269	160 096	187 670	189 738	189 738	189 738	224 769	232 571	238 446

LIM471 Ephraim Mogale - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		62 569	72 029	80 589	95 427	95 427	95 427	122 308	123 962	122 420
Local Government Equitable Share										
Local Government Equitable Share		60 529	68 729	77 149	91 614	91 614	91 614	118 546	121 195	120 142
Finance Management		1 250	1 500	1 550	1 600	1 600	1 600	1 675	1 810	2 145
EPWP Incentive		-	1 000	1 000	1 279	1 279	1 279	1 157		
Municipal Systems Improvement		790	800	890	934	934	934	930	957	133
D.T.I ORGANIC FARMING					-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	62 569	72 029	80 589	95 427	95 427	95 427	122 308	123 962	122 420
Capital Transfers and Grants										
National Government:		17 871	21 678	31 727	31 070	31 070	31 070	32 405	33 588	35 360
Municipal Infrastructure (MIG)		17 871	21 678	26 727	31 070	31 070	31 070	32 405	33 588	35 360
ENERGY EFFICIENCY GRANT				5 000						
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	17 871	21 678	31 727	31 070	31 070	31 070	32 405	33 588	35 360
TOTAL RECEIPTS OF TRANSFERS & GRANTS		80 440	93 707	112 316	126 497	126 497	126 497	154 713	157 550	157 780

1.5 OPERATING EXPENDITURE FRAMEWORK

LIM471 Ephraim Mogale - Table A4 Budgeted Financial Performance (revenue and expenditure)

Cm47: Euphrates Region - Table A: Budgeted Financial Performance (Revenue and Expenditure)											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type											
Employee related costs	2	37 788	41 604	45 251	42 449	45 052	45 052	45 052	60 672	64 313	68 172
Remuneration of councillors		8 867	9 740	9 405	9 623	8 987	8 987	8 987	10 765	11 411	12 096
Debt impairment	3	2 613	1 803	1 773	600						
Depreciation & asset impairment	2	34 079	28 520	37 886	28 000	29 680	29 680	29 680	42 400	44 944	47 641
Finance charges		1 012	-	693	710	3 170	3 170	3 170	4 692	4 974	5 272
Bulk purchases	2	17 671	20 324	-	23 828	25 115	25 115	25 115	27 221	30 487	34 146
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		624	825	-	-	-	-	-	-	-	-
Other expenditure	4, 5	41 248	(7 120)	-	49 574	50 375	50 375	50 375	122 564	129 917	137 593
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		143 902	95 697	95 009	154 784	162 379	162 379	162 379	268 315	286 047	304 920
Surplus/(Deficit)		(7 663)	69 571	65 087	32 886	27 359	27 359	27 359	(43 546)	(53 475)	(66 474)
Transfers recognised - capital		17 871	21 678	15 992	10 357	23 000	23 000	23 000	32 405	33 588	35 360
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		10 208	91 249	81 079	43 243	50 359	50 359	50 359	(11 141)	(19 887)	(31 114)
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		10 208	91 249	81 079	43 243	50 359	50 359	50 359	(11 141)	(19 887)	(31 114)
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		10 208	91 249	81 079	43 243	50 359	50 359	50 359	(11 141)	(19 887)	(31 114)
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		10 208	91 249	81 079	43 243	50 359	50 359	50 359	(11 141)	(19 887)	(31 114)

1.7 ANNUAL BUDGET TABLES

Annual Budget Tables are attached hereto as **Annexure B**

Explanatory notes to 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.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget.

Explanatory notes to 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. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Explanatory notes to 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 organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Explanatory notes to 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.

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1.6 CAPITAL EXPENDITURE

LIM471 Ephraim Mogale - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

LHM47: Lepinaam mlogate - Table A5 Budgeted Capital Expenditure by Vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard											
Governance and administration		800	1 800	1 218	2 710	50	50	50	1 514	1 605	1 701
Executive and council		-	800	-							
Budget and treasury office		-									
Corporate services		800	1 000	1 218	2 710	50	50	50	1 514	1 605	1 701
Community and public safety		8 660	10 058	2 469	16 405	10 070	10 070	10 070	4 036	4 036	2 625
Community and social services		2 080	1 210	2 469	2 155	1 650	1 650	1 650	3 236	4 036	2 625
Sport and recreation		-									
Public safety		-	615		4 650	520	520	520			
Housing		6 580	8 233	-	9 600	7 900	7 900	7 900	800	-	-
Health											
Economic and environmental services		18 150	30 720	1 720	39 490	58 100	58 100	58 100	62 815	64 307	64 712
Planning and development											
Road transport		18 150	30 720	1 720	39 490	58 100	58 100	58 100	62 815	64 307	64 712
Environmental protection											
Trading services		600	3 250	1 474	13 080	16 580	16 580	16 580	1 750	1 861	2 039
Electricity		200	2 400	1 085	10 330	13 330	13 330	13 330	1 750	1 861	2 039
Water							-		-	-	-
Waste water management											
Waste management		400	850	390	2 750	3 250	3 250	3 250			
Other									100	106	
Total Capital Expenditure - Standard	3	28 210	45 828	6 881	71 685	84 800	84 800	84 800	70 215	71 916	71 078
Funded by:											
National Government		17 871	21 678	4 412	26 727	26 727	26 727	26 727	32 045	33 588	35 360
Provincial Government								-		-	-
District Municipality										-	-
Other transfers and grants		-	-	-	44 958	44 958	44 958	44 958			
Transfers recognised - capital	4	17 871	21 678	4 412	71 685	71 685	71 685	71 685	32 045	33 588	35 360
Public contributions & donations	5										
Borrowing	6		10 000	-							
Internally generated funds		10 339	14 150	-					38 170	38 328	35 718
Total Capital Funding	7	28 210	45 828	4 412	71 685	71 685	71 685	71 685	70 215	71 916	71 078

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.

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understanding ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet)

Explanatory notes to 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.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

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".

Explanatory notes to 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.

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

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 Mayor and MMC for Finance is also a member.

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. 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 2014) 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 2014.

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 28th February 2015.

The strategic planning took place on the 23-24 March 2015 and the purpose as per the timetable is to align the budget with the IDP, where community needs have been prioritized.

The municipality is to hold public participation meetings for comments with regards to the budget from the 01st – 30th April 2015.

2.2 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 2010/2011 Financial Year.

This review process was done in terms of section 34 of the MSA² 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 July 2014.

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 was confirmed to be still relevant during the strategic planning session held from the 23rd – 24th of March 2015 and it now reads as follows: "Viable and sustainable municipality that provides quality services and enhance economic growth"
- (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

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the 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:

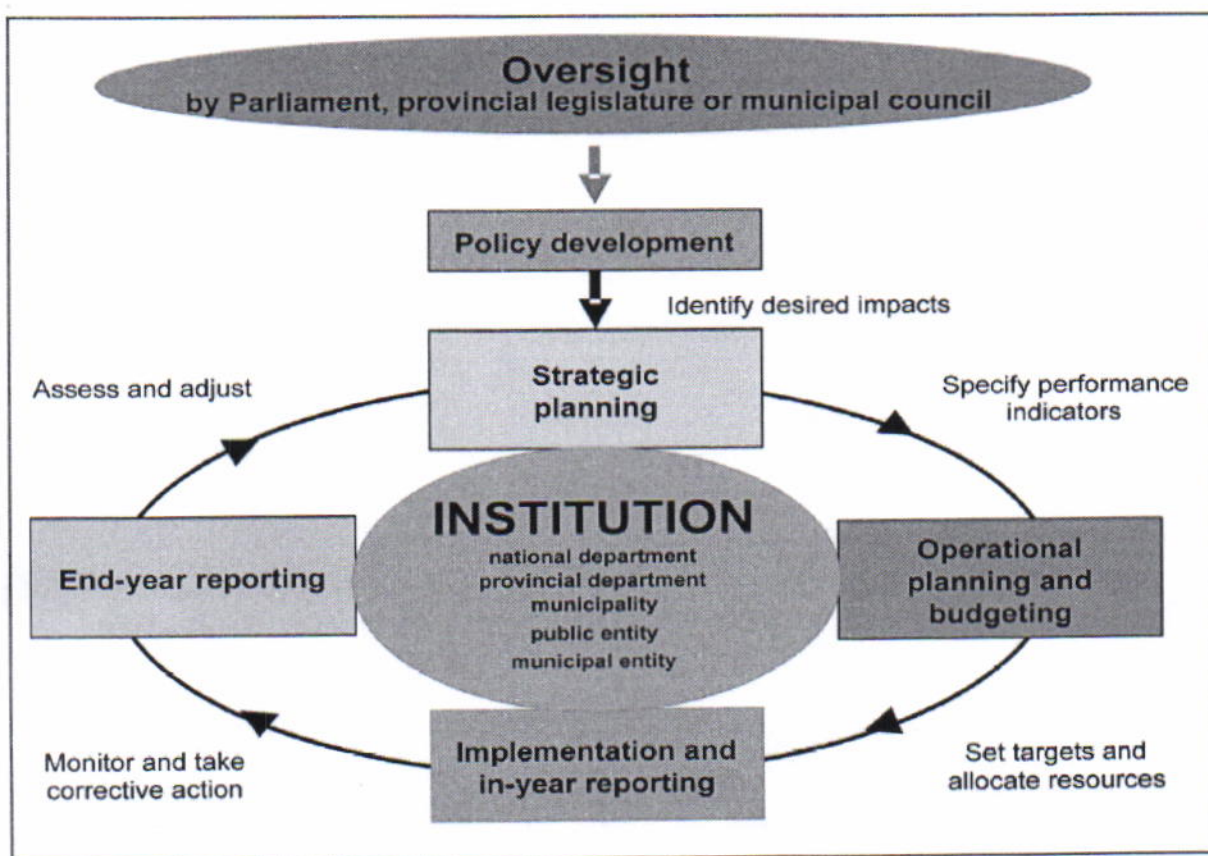


Figure 1 Planning, budgeting and reporting cycle

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:

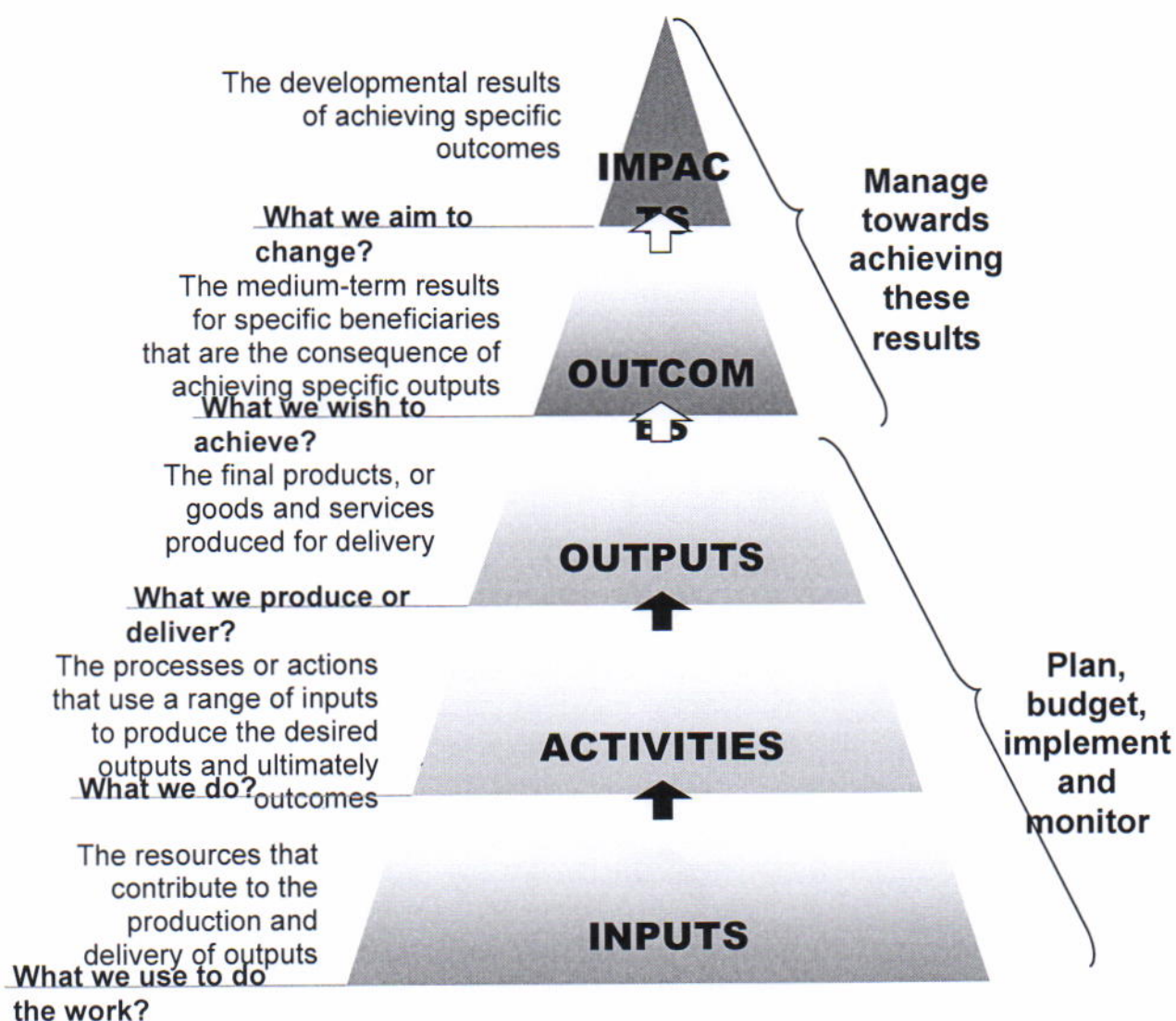


Figure 2 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

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. It be noted that the municipality is working on final draft.
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-imbursement 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.

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.

Headline inflation forecasts:

Fiscal year	2014	2015	2016	2014/15	2015/16
	Actual	Estimate	Forecast	Forecast	Forecast
Real GDP growth	2.2	1.4	2.0	2.6	3.0
CPI Inflation	5.8%	5.6%	4.8%	5.9%	5.6%

Source: Budget Review 2015

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 2015/16 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.

2.6 Overview of Budget Funding

LIM471 Ephraim Mogale - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Financial Performance										
Property rates	11 216	12 252	16 863	15 205	25 251	25 251	25 251	28 766	28 372	30 075
Service charges	34 362	39 875	36 351	48 691	50 233	50 233	50 233	56 599	59 995	63 595
Investment revenue	4 116	5 433	1 196	4 127	3 412	3 412	3 412	3 412	3 617	3 834
Transfers recognised - operational	80 291	103 546	95 736	95 427	95 427	95 427	95 427	122 308	123 962	123 320
Other own revenue	6 254	4 163	9 949	24 220	15 414	15 414	15 414	15 684	16 626	17 623
Total Revenue (excluding capital transfers and contributions)	136 239	165 269	160 096	187 670	189 738	189 738	189 738	224 769	232 571	238 446

2.5 Expenditure on grants and reconciliations of unspent funds

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

2.6 Councillor 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 H

2.9 Monthly targets for revenue, expenditure and cash

Monthly targets are presented in **Annexure H** on SA25, SA26, SA27, SA29 and SA30

2.10 Annual budgets and SDBIPs – internal departments

Annual budget is attached as **Annexure F**. Explanatory notes on internal votes will be included in final approval of the budget.

SDBIPs still to be finalised.

2.11 Contracts having future budgetary implications

The municipality does not have any contracts that may exceed the period over a year.

2.12 Capital expenditure details

The capital projects are funded through internal surplus and external sources which is MIG. The details are found in SA34, SA35 and SA36

2.13 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.

2.14 Other Supporting Document.

Other supporting documents entail supporting budget tables on SA1 to SA37, attached as **Annuxure H**

2.15 Quality Certification of the Municipal Manager

I Ms. M. M. Mathebela the Municipal Manager of Ephraim Mogale Local Municipality, hereby certify that the annual budget and supporting documents have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the act, and that the annual budget and the supporting documents are consistent with the Integrated Development Plan (IDP) of the Municipality.

Name : **Ms M. M. MATHEBELA**

MUNICIPAL MANAGER

Municipal Code : LIM471

Signature : 

Date : 01/04/15