

**ANNUAL BUDGET OF
EPRHAIM MOGALE
LOCAL MUNICIPALITY**



**2015/16 TO 2017/18
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

Copies of this document can be viewed

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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

Honorable Speaker, Cllr. Modisha,

Honorable Chief Whip, Cllr. Ratau,

Members of the Executive Committee,

Chair of Chairs, Honorable Cllr. Ranoto,

Chairperson of MPAC, Honorable Cllr. Phala

Chairpersons of Various Portfolio Committees,

Fellow Honorable Councilors,

Maaparankwe.

Municipal Manager and Directors,

Representatives from Organized Labour (Unions),

Various Communities in the Ephraim Mogale Local Municipality,

All Stakeholders of the Municipality – [Traditional Leadership, Traditional Healers, Business, NGOs, CBOs and Various Faith Organizations, Community Members],

The Media Fraternity, Taxi Associations,

Distinguished Guests.

Dumelang, Lotshani, Goeie Middag, Good afternoon, Ladies and Gentlemen!

Hon, Speaker, Please allow me to start by intensively quote former State President Hon. Thabo Mbeki when he said "Today it feels good to be an African,

"I am born of the peoples of the continent of Africa. I am of a nation that would not allow that fear of death, torture, imprisonment, exile or persecution should result in the perpetuation of injustice. Among us

prowl the products of our immoral and amoral past - killers who have no sense of the worth of human life, rapists who have absolute disdain for the women of our country, animals who would seek to benefit from the vulnerability of the children, the disabled and the old, the rapacious who brook no obstacle in their quest for self-enrichment. I am of a nation that would not allow that fear of death, torture, imprisonment, exile or persecution should result in the perpetuation of injustice. The great masses who are our mother and father will not permit that the behaviour of the few results in the description of our country and people as barbaric”.

One is starting with those words, Hon Speaker to reflect on the current political and socio-economic environment that took place in the last few months whereby our brother and sister from the Continent of Africa has experienced barbaric attacks in the name of South Africa. This came to mind Hon Speaker that those barbaric actions happen in the eve of when South Africa, hosted the most important gathering of African People, the Pan African Parliament (PAP). Talking of PAP, this municipality would like to congratulate PAP for its prompt discussion and resolutions mostly regarding being proud to be African, their commitment to work towards uniting Africa and in celebrating African day on the 25th May 2015.

We should all strive for peace and strengthen our political education on us being African mostly during this time as we celebrate African month. The country celebration of the 21st years of democracy was nearly overshadowed by those barbaric activities. It is important Hon Speaker that we work hard as State President Hon Jacob Zuma alluded during the State of the Nation Address “to unite in action to advance Economic freedom by working extra miles in building a united democratic, non-sexist, non-racial and prosperous South Africa through rededicating all of us to eradicate racism, xenophobia and all related intolerance in our country”. Hon J Zuma further challenged all of us to invest more on educating our children and the youth about the rich heritage of this country and African continent and practice the African Union anthem as part of our commitment to celebrate ourselves as African.

One further agrees with former President Hon. Thabo Mbeki, when he concluded that whatever the setbacks of the moment, nothing can stop us now! Whatever the difficulties, Africa shall be at peace! However improbable it may sound to the sceptics, Africa will prosper. All this I know and know to be true because I am an African”

As Dr Mandela once said “no one is born hating another person because of colour of his skin or his background nor religion. People learn to hate, and if they can learn to hate , they can be taught to LOVE, for Love come more naturally to the human heart than its opposite” We should therefore, Hon Speaker condemn this barbaric action of Xenophobic in the country and teach our communities to love their neighbours as they Love themselves.

Despite all those setback, Hon Speaker, we feel with great honour to stand before this August Gathering, to account on our performance over the past financial year [2014/2015] and present the IDP, which is our strategic plan and the Budget, which is our financial plan, for the 2015- 2016 Financial year of the Ephraim Mogale Municipality. We will continue to celebrate the country 21st anniversary of democracy since the first democratic election in 1994. We are already looking forward to the upcoming Local government election which will take place during the upcoming financial year as part of strengthening democracy. We further commit as municipality to assist the IEC by creating enabling environment in preparing the upcoming election.

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests; please allow me to remind everyone that It has now become a wrong and intolerable culture, that when we present the IDP and budget, be under a heavy black cloud over our heads. The country has lost committed young cadres and veteran of our struggle who the nation has entrust trust on them to carry and lead our struggle to deliver the services of our community in our commitment to make a better life for all.

We are presenting this Budget/IDP while the country has lost Minister of Public Services – Hon. Collins Chabane and his bodyguards, in a horrified car accident in our provinces while on duty deployed to by the South African nation, it was with sadness that the country and Limpopo Province to be specific while celebrating the achievements made by the 2014 matric Learners, the province lost its MEC of Education Thembi Nwendamutswu, who was the driver and captain of the 2014 Matric ship, Comrade Ntate Nelson Diale, the veteran of our struggle and the former Tsimanyane Circuit Inspector Mr. Mohlapamaswi and many more.

The country is now celebrating the life of stalwarts, isithalandwe, moswarathipa ka bogaleng, Mme Ruth Mompoti, a leader of the ANC Women League who led the 1956 Women's league fight a just war of liberating us through the historic march of against women in caring the pass.

Road carnage is becoming our daily bread, within the municipality as our community members are dying through road accident. While most of the accident took place on both National and Provincial roads, our municipality cannot fold arms, but engage the relevant road agencies to assist in improving the road infrastructure as part of our commitment to provide better road services to our communities. Hon Speaker, during the financial year under review, the municipality also lost its own sons and daughters - *Leaders, Officials and Community Members* - who were bestrewn with a calling, a commitment and a responsibility to contribute in changing the life of people in this municipality. We just lost 11 people on the road between Marble Hall town and Siyabuswa just last week. It is upon all of us to pick-up the spears of all fallen Comrades and continues with the struggle of making a better life for all the people in the country and a peaceful world. May their souls rest in peace!

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests; the municipality was faced with the safe challenges we experience in a financial year before this. This include the high vacancy rate in critical positions which contribute towards our poor spending on Municipal Infrastructure Grant (MIG). As we speak, Hon. Speaker the municipality is standing the lowest in the province. In correcting this, the municipality has employed the Municipal Manager to steer the administration ship and strengthen the accountability. We have further strengthened the Supply Chain Management Unit (SCM) and Project Management Unit (PMU) which are the two key unit to improve spending on MIG. We have also advertised positions in the remaining strategic areas such as strengthening Internal Audit and Risk Management, filled position such as Integrated Development Plan (IDP) Manager and Local Economic Development (LED) Manager in Planning and Economic Development which has been vacant for a long time. We believe that strengthening of those critical areas will bear fruits we all want, strengthening services delivery and economic growth to our communities.

The filling of all strategic position, Hon. Speaker, the municipality will improve in performance in relation to the audit outcome. The municipality has further received poor audit report by the Auditor General of DISCLAIMER for the 2013/2014. One will like to repeat what I said during the last budget day on the municipality in Dicheoung that as Council, we need to take responsibility and work with the administration to urgently correct this audit outcome as we have committed to have clean audit.

On the 31 March 2015, the municipality council adopted the draft Budget for the upcoming financial year of 2015-2016. We further went on the community consultation as required by laws between 23 April 2015 and 08 May 2015. During that process, our communities and stakeholders such as Sakerkamer raised some challenges and recommend that we shift certain project in order to address those challenges we have noted them with great appreciations. Where possible the budget will address some of those concern and comments made. In responding to issues raised by Sakerkamer, the municipality will make sure that on matters of Education, Health, Social Welfare, Safety and Security, SASSA, and Post office & Telecommunicationwe all matter are communicated with the relevant department for them to improve their services. The relocation of Hawkers, the municipality has engaged them and the process of relocating to the hawker's facility. The municipality is further engaging Transnet on the envisaged establishment of railway line. The municipality will also continue engaging the COGHSTA on the number of allocated houses within the municipality. While water and sanitation are the responsibilities of Sekhukhune District Municipality, we will continue working with SDM to solve all challenges relating to both water and sanitation. Other issues raised such as Roads and stormwater in extension 6, the municipality will address them with the present budget.

Hon. Speaker, fellow Councilors, ladies and gentlemen and distinguish guests, it is important to take into consideration and remember that in his state of the nation address, Hon President Jacob Zuma, has declared 2015 as the year of Freedom Charter and Unity in Action to Advance Economic Freedom. A year of going to extra mile in building a united, democratic, non-racial, non-sexist and prosperous South Africa, a year of rededicating ourselves to eradicate racism and all related intolerances in our country. As we celebrate 21st anniversary of the country freed, Freedom Charter remain the guiding developmental documents of our lifetime, the document that will remain the Bible of democracy and future development. In developing and drafting our budget for the coming financial year, the municipality was guided by few documents, The municipal Vision and Mission **“Viable and sustainable municipality that provides quality services and enhance economic growth” and commit “to involve all sectors of the community in the economic and social development whilst improving service delivery to become a prominent agricultural, business, and mega industrial growth point in Sekhukhune District for the benefit of the residents and province”**; Freedom Charter, the manifesto of the Ruling Party [the ANC; National Development Plan (NDP), and Limpopo Developmental Plan (:LDP) in consultation with broader communities and stakeholder

The Municipality budgeted just over **257 174 350.69** million in the upcoming financial year of 2015-2016 to address the needs and services of our communities. The municipality income is characterized by a total of over 60% Grants which are as follows:

ITEM DESCRIPTION	BUDGET 2015/2016	Percentage	FORECASTT 2016/2017	FORECAST 2017/2018
EQUITABLE SHARE	118 546 000.00	46%	121 195 000.00	120 142 000.00
GRANT: MIG	32 405 000.00	13%	33 588 000.00	35 360 000.00
GRANT: MSIG	930 000.00	0%	957 000.00	1 033 000.00
GRANT: FINANCIAL MANAGEMENT	1 675 000.00	1%	1 810 000.00	2 145 000.00
EPWP INCENTIVE GRANT	1 157 000.00	0%	0.00	0.00
GRANTS & SUBSIDIES	154 713 000.00	60%	157 550 000.00	158 680 000.00

OPERATING REVENUE BUDGET

ITEM DESCRIPTION	BUDGET 2015/2016	PERCENTAGE	FORECAST 2016/2017	FORECAST 2017/2018
GRANTS & SUBSIDIES	154 713 000.00	60%	157 550 000.00	158 680 000.00
REVENUE GENERATED FROM OWN SOURCES	102 461 350.69	40%	108 609 031.73	115 125 573.63
PROPERTY RATES	26 766 355.15	10%	28 372 336.46	30 074 676.64
ELECTRICITY	50 356 628.20	20%	53 378 025.89	56 580 707.45
REFUSE	4 171 395.01	2%	4 421 678.71	4 686 979.43
INTEREST RECEIVED	4 692 135.18	2%	4 973 663.29	5 272 083.09
LICENCES & PERMITS	12 271 573.54	5%	13 007 867.95	13 788 340.03
RENTAL FACILITIES AND EQUIPMENT	197 429.90	0%	209 275.69	221 832.23
OTHER INCOME	3 321 422.27	1%	3 520 707.60	3 731 950.06
TOTAL OPERATING REVENUE GENERATED	257 174 350.69	100%	266 159 031.73	273 805 573.63

Hon Speaker, fellow Councilors, Ladies and gentleman, the municipality is still faced with great challenges with regard to revenue collection. The municipality depend more on Grant as 60% of the municipality income comes from grants. In the process of improving the revenue collection, the municipality has finalized the cleansing of data in areas such as Elandskraal and Leeufontein to pave the way for community to pay for their services. The municipality still believe that revenue collection in the two areas will contribute towards the improve in service delivery

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

- **Assessment Rates:** **6%**
- **Electricity:** **12.20% as determined by NERSA**
- **Cleansing:** **6%**
- **Other income:** **6%**

Salary Bill and Council Allowances

Hon Speaker, fellow Councilors, Ladies and gentleman, the municipality has managed to keep the salary bill within the limitations of the law of not more than 35% of our total operating budget. This include the allocation of the envisage 6% salary increase for all workers. The municipality has allocated R 60 672 803.66 for the total employees salary and wages related cost and R10 765 458.50 for total Councilors allowance cost during the 2015/2016 financial year which is 5% of what the municipality envisage as upper limit to be proclaimed by the Minister of Corporative Government and Traditional Affairs (COGTA) in the new financial year of 2015/2016.

Madam Speaker, as a municipality, we are proud of the fact that, a few years ago, we were able to achieve the millennium development goal on electrification as per our Electrification Program with Eskom. I simply mean that all villages under this municipality are electrified. At the same time the municipality is faced with challenges of electrifying the extension of villages. During the last financial year we committed to electrify some of the extensions in the villages.

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests; the electrification program of Eskom within the Ephraim Mogale Municipality is in progress. Already electrification was finalized in Vaalbank (92) Mmotwaneng (42) Toitskraal Agricultural Holding (12), and Phetwane (31). Contractor is busy in Rathoke (86). Eskom completed designs for the following village extensions, Leeufontein Keerom, Dicheoung, Letebejane and Rakgoadi (Mohlalaotwane) and we believe that they will start with implementation during the coming financial year.

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests; during our consultation with communities and stakeholders, it has becomes clear that water remain the first priority of all communities within this municipality. Meanwhile this municipality does not have water authority as it lies with Sekhukhune District Municipality, it is important that we acknowledge progress made in providing water to all communities within the municipality. We acknowledge the challenges we still face but also take note of the revamp of purification at Leeufontein which will reduce the water challenges in the area, and the expansion of the main water purification with the Flag Boshielo Dam. This process goes with challenges

for communities not accessing water on daily basis, but on ad-hoc days/basis. We humbly apologies for the inconvenient this is causing to our communities, but at the same time we are aware that this will provide long-term solution on the challenges of water provision. We are recommitting to work with Sekhukhune District Municipality (SDM) in improving the provision of water, within the boundaries of our municipality and confront our current challenges of provision of water, and ensure that our communities have clean running water.

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests, during the last financial year, we committed to continue building Community centres across the municipality. Indeed, this municipality has finalized the construction of the two, being Mabitsi and Morarela and the construction of the hall in Moomane and Driefontein will be finilised before the end of financial year. The municipality still commit to the idea to, in the future, convert these halls into centres of artistic and cultural excellence as part of creating facilities to be utilized by the young people. This is part of our commitment to contribute towards building the nation as Dr. Nelson Mandela once said "our children are the rock of which our future will be build, our greater asset as a nation. They will be the leaders of our country, the creator of our national wealth, those who care for and protect our people".

Hon. Speaker, ladies and gentlemen, during the last financial year, we committed to improve on access roads as part of our responsibilities to provide better road network services to our communities. As the Limpopo Premier, Hon Mathabathe said "Road infrastructure is a strategic stimulant for economic growth and development. It is in this context that we are investing more resources to roads infrastructural development and maintenance". This municipality has identified bus routes as part of our commitment to improve access roads to our communities and all roads to the Magoshi.

Hon. Speaker, the contractors are on site in developing the following bus routes and access roads, in Mmakgatle, and Mogalatsane, and at the following, Elandskraal, Puleng and Mmatilu contractors are appointed and will resume duties before the end of the financial year. The municipality has also finalized the design of Rakgoadi (Mohlalaotwane) and Dicheoueng access roads to both Kgoshi MM Matlala and Kgoshi Lehwelere Matlala respectively, which will be implemented during the coming financial year, while busy designing Phetoane and Ditholong-Letebejane and will start with construction of the road in the next financial year 2016/2017.

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests; the process of implementing the High Mast Lights Project was disrupted by lack of capacity to energies them, by Eskom. The municipality has resolved to hold on all the planned High Mast until Eskom has improved its capacity to energize them. We will finalize the energisation of those already in existence, meaning Rakgoadi (Mohlaoatwane), Dicheoueng, Morarela-Mbuzini; Mohlotsi and Tshikanoshi. As the country is faced with

the challenges of load-shedding, we are calling on all the lovely citizen of our municipality to contribute in saving energy by switching off all the unused electrical appliances.

Hon. Speaker, fellow Councillors, ladies and gentlemen and distinguished guests; Extended Public Work Program (EPWP). EPWP plays an important role and contribute largely towards job creations in this municipality. As Premier Mathabathe once said "EPWP is one of government's strategic initiatives aimed at addressing challenges of poverty, unemployment and shortage of skill". The municipality has created 435 job opportunities through EPWP and projects during the past financial year.

Hon Speaker, the introduction of bursary scheme and the Top Learners Awards is bearing fruits within the education sector of our municipality. "Our commitments in assisting our learners, schools and circuits has created a healthy competition. Hon Speaker, this year our best performing learners emerges from Rakgwadi Circuit in the name of Makola Otto, from Mokoneamabula Senior Secondary School, who obtained a total of 79.14% and is a BSC student at Wits University. It has swing from Moutse West to Rakgwadi Circuits, while Moutse is still topping all circuits within our municipality, what a healthy competition!

This municipality has heard the words of our first democratic President Dr. Nelson Mandela when he said "Education is the most powerful weapon you can use to change the world". In making sure that our young people are ready to conquer the world, this municipality is busy arming them with that powerful weapon through the provision of bursaries, the municipality has assisted a total of **18 Learners** during the current financial year with a total cost to the municipality of **R770 055, 88**, which included the special awards for the best top performing learners. We congratulate all the matric learners and wish them the best in their new endeavors. Once again, this municipality wants to thank both Mr Makofane of Classy Funeral Brokers and Focus Business Consultant for their continued commitment to community development as part of their social responsibility, "le ka moso".

As a nation we clearly understood when former and long service President of the African National Congress, OR Tambo says "the children of any nation are its future. A country, movement and anybody who does not value its youth and children does not deserve its future. Indeed this municipality value the children and youth of this country, in particular young people from its municipal boundaries.

Hon. Speaker, while the municipality is moving slowly towards achieving and addressing the issue of equity and employment of people living with disabilities, national target 2%, with 0.95, it is my pleasure to report that the municipality has achieve over 60% of women employment at strategic or senior management level. The municipality has filled the position of Municipal Manager, CFO, and Director for Infrastructure with female officials and Director of Corporate services with a male. We have two vacancies that of Director of Community Services and Director of Planning and Economic Development which we have advertised and will be filled soon.

Hon Speaker, despite the little income envisaged for the municipality during the incoming financial year, the municipality remains committed to provide infrastructural capital project from its two main sources that is; from its Internal Revenue Source and Municipal Infrastructural Grant (MIG).

Hon Speaker, allow me to present the 2015/2016 Infrastructural Budget; funded from internal and MIG which are projects which will be implemented in different villages:

	PROJECT NAME	SOURCE OF FUNDING	BUDGET 2015/2016	WARD
DEPT				
220	MACHINERY & EQUIPMENT	INTERNAL	400 000.00	ALL
220	EXTENSION OF OFFICES	INTERNAL	800 000.00	ALL
TOTAL FOR REGISTRATION AUTHORITY - COMMUNITY SERVICES			1 200 000.00	
260	MOBILE TOILETS	INTERNAL	100 000.00	ALL
260	DICHOEUNG HIGHMAST	INTERNAL	250 000.00	14
260	PURCHASING OF LIGHT VEHICLE	INTERNAL	350 000.00	ALL
260	MOHLOTSI HIGHMAST	INTERNAL	250 000.00	13
260	MOHLALAOTWANE HIGHMAST	INTERNAL	300 000.00	11
260	MBUZINI/MORARELA HIGHMAST	INTERNAL	300 000.00	15
260	TSHIKANOSHI HIGHMAST	INTERNAL	300 000.00	5
TOTAL FOR ELECTRICITY -INFRASTRUCTURE SERVICES			1 850 000.00	
425	MACHINERY & EQUIPMENT	INTERNAL	636 339.20	
425	LANDSCAPING& GREENING PROJECT	INTERNAL	1 200 000.00	7
425	EXTENSIONS TO CEMETERY	INTERNAL	500 000.00	7

TOTAL FOR PARKS AND CEMETERIES - COMMUNITY SERVICES			2 336 339.20	
500	INSTALLATION OF FIRE DETECTORS	INTERNAL	407 712.00	ALL
500	PURCHASE OF FURNITURE	INTERNAL	700 000.00	ALL
500	FIRE DETECTORS RECORDS & ARCH	INTERNAL	56 162.00	ALL
500	ARCHIVES	INTERNAL	350 000.00	ALL
TOTAL ADMINISTRATION - CORPORATE SERVICES			1 513 874.00	
650	DUMPER X2	INTERNAL	650 000.00	ALL
650	MOGANYAKA SOUTH STREET	INTERNAL	8 500 000.00	9
650	CONSTRUCTION OF N11	INTERNAL	5 000 000.00	7
650	STORMWATER EXT 6	INTERNAL	7 000 000.00	7
650	SAWCUTTER X2	INTERNAL	120 000.00	ALL
650	BOMAG ROLLER	INTERNAL	500 000.00	ALL
650	MOBILE TOILETS	INTERNAL	240 000.00	ALL
650	ROAD & STORM WATER MASTERPLAN	INTERNAL	1 000 000.00	ALL
650	LETEBEJANE&DITHOLONG INT ROAD	INTERNAL	1 500 000.00	7
650	DICHOEUNG INTERNAL ROAD	INTERNAL	7 000 000.00	14
TOTAL FOR ROADS AND STORMWATER			31 510 000.00	

TOTAL INTERNALLY FUNDED CAPITAL PROJECTS			38 410 213.20	
DEPT				
650	ELANDSKRAAL INTERNAL STREETS	MIG	14 000 000.00	15
650	UPGRADING OF ROAD MATILU	MIG	5 000 000.00	11
650	UGRADING OF ROAD PULENG	MIG	5 000 000.00	11
650	MOHLALAOTWANE INTERNAL STREET	MIG	6 805 000.00	11
650	PMU ESTABLISHMENT	MIG	1 600 000.00	ALL
TOTAL FOR MIG FUNDED CAPITAL PROJECTS			32 405 000.00	
TOTAL CAPITAL BUDGET FOR EPMLM			70 815 213.20	

In conclusion

Hon. Speaker, the challenges of services and needs of our community are more than the income this municipality have. It is so imperative that we work together to distribute and share the little budget we have and implement la mogologolo la gore" "Bana ba motho ba kgetlogana hlogo ya tsie". Faced with the difficult task of service delivery ahead of us, the budget will never be enough. As the municipality we have committed ourselves to implement all these projects expeditiously to avoid roll-overs; except those planned for three financial years. One still believe that working together as Councilors, officials, the labour movement and all municipal stakeholders, we will achieve all our set target.

Hon. Speaker, please allow me to pass my sincere gratitude to EXCO Members, Hon. Speaker and the Chief Whip for their support during this financial year as they always do, the Portfolio Committees, the Council and administration in general.

Sincere gratitude to communities in the municipality for their patience as they eagerly await the provision of basic and other services that should result in economic development and social cohesion. We also appreciate your acknowledgement and understanding of the limitations of the municipal budget. Thank you for your support during public participation activities, IDP, Budget Consultation processes and any activity of the municipality.

Special thanks to my family for all the support given to me to perform this task of leading the municipality in a responsible manner.

Hon. Speaker, allow me to conclude with the wise words of President Zuma that "we need to continue building a caring, effective, and responsive state that will priorities the developmental need of our communities, that continue advancing and improving the lives of our communities and working together we can do more".

It is an honor for me to table the IDP, the Budget, budget related policies and tariffs before the Honorable Council, community members and various stakeholders for consideration.

I thank you.

Kea leboga.

1.2 Council Resolution

On 28th May 2015 the Council of Ephraim Mogale Local Municipality met in the Council Chambers of Ephraim Local Municipality to consider and approve the annual budget of the municipality for the financial year 2015/16. The Council approved and adopted the draft annual budget through resolution number SC10/01/2015 **as follows:**

EPHRAIM MOGALE

LOCAL MUNICIPALITY

 111

MARBLE HALL

0450

 013-261 8400

 013-261 2985



Leeufontein Office (013) 266 7025

Elandskraal Office (013) 268 0006

Zamenkomst Office (013) 973 9160

Traffic Section (013) 261 8400

EXTRACTS FROM THE MINUTES OF THE 10TH SPECIAL COUNCIL MEETING OF EPHRAIM MOGALE LOCAL MUNICIPALITY HELD ON THURSDAY THE 28TH MAY 2015

FILE/S: 9/1/2/4

**SC10/01/2015 BUDGET: MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK FOR 2015/2016, 2016/2017 AND 2017/2018**

9/1/2/4

RESOLVED

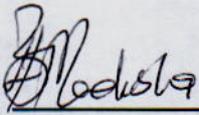
1. **That** The Medium Term Revenue and Expenditure Framework for 2015/2016-2017-2018 of Ephraim Mogale Local Municipality is approved with all budget tables A1 to A10.
2. **That;** the council approved the Medium Term Revenue and Expenditure Framework for 2015/2016 – 2017/2018 of Ephraim Mogale Local Municipality and all supporting documents and / tables of SA1 to SA37.

3. **That** the proposed budget provision for new personnel amounting to R 9 860 805.13 is approved.
4. **That** the proposed multiyear and single year appropriation capital is approved as summarized below:

DEPT	CAPITAL PROJECTS	SOURCE OF FUNDING	DRAFT BUDGET 2015/2016	FORECAST 2016/2017	FORECAST 2017/2018
VARIOUS	EPMLM	INTERNALLY FUNDED	38 410 231.20	38 469 365.50	34 331 093.59
VARIOUS	EPMLM	MIG FUNDED	32 405 000.00	33 588 000.00	35 360 000.00
TOTAL CAPITAL BUDGET FOR EPMLM			70 815 213.20	72 057 365.50	69 691 093.59

5. **That** Council approved the proposed tariffs of 12.20% for electricity as guided by Nersa.
6. **That** the following proposed tariffs are approved;
- | | |
|-------------------|--------|
| Assessment Rates: | 6% |
| Electricity: | 12.20% |
| Cleansing: | 6% |
| Other income: | 6% |
7. **That** the 7% salary increase is approved.
8. **That** the budget deficit with regards to non-cash items was approved.
9. **That** Council approved the following reviewed budget related policies:
- Budget Policy
 - Tariffs and Sundry Charge Policy
 - Property Rates Policy
 - Virement Policy
 - Credit Control and Debt Collection Policy
 - Indigent Support Policy
 - Investment Policy
 - Cellphone policy

- Overtime and Standby Policy
 - Acting Allowance Policy
 - Transport Policy
 - Travel and Subsistence Policy
 - Supply Chain Policy
 - Bursary Policy for Municipal Employees
 - Bursary Policy for Members of the Public
- 10. That** The Accounting Officer must submit draft SDBIP'S for the 2015/2016 financial year to the Mayor within 14 days after the approval of the annual budget.
- 11. That** The Mayor approves the SDBIP's within 28 days after the approval of the annual budget.
- 12. That** The Mayor ensures that the submitted performance agreements complies with the MFMA to ensure sound financial management, are linked to the operational plans and SDBIP's and concluded in accordance with section 57(2) of the Municipal Systems Act, as amended.
- 13. That** The Accounting Officer must submit monthly budget statements to the mayor within 10 working days after the end of each month as stipulated in the new Municipal Budget Regulation and Reporting and quarterly report on the SDBIP.
- 14. That** the Accounting Officer must submit to Provincial and National Treasuries and other relevant departments and approved budget 2015/2016 and all supporting documentation by the 12th June 2015.
- 15. That** The Accounting Officer must publish the approved budget with all budget tables, A1 to A10 and supporting tables SA1to SA37 in the municipal website.
- 16. That** Community Halls at the wards be used effectively by the youth as a way of removing them from the streets.
- 17. That** an amount of R265 000 be subtracted from the SPLUMA budget of R565 000 to finance the positions of the two Committee Clerks of Council.
- 18. That** The Municipal Manager implemented decision accordingly.



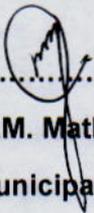
L.B. MODISHA

SPEAKER

28 MAY 2015

FINALISATION BY:

Referred toby Municipal Manager



.....
M.M. Mathebela

Municipal Manager

12/06/15
.....

Date Received

1.3 Executive Summary

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

REPORT OF THE 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.

However in the circular issued by Salga on the 04th May 2015 the revised offer is now 5.4% and it is indicated in the circular that the negotiations are still in progress where the third round of negotiations is scheduled from 26th – 28th May 2015.

Accordingly the municipality has made a 7% provision for the salary increase to cater for any shortfall that might arise effective 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 9 860 805.13.

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 MANAGEMENT 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
HEALTH GENERAL			
DEP	SAL NO		NAME
325	VACANT	NEW	GENERAL WORKER: CLEANER
325	VACANT	NEW	GENERAL WORKER: CLEANER

SOLID WASTE			
DEP	SAL NO		NAME
360	VACANT	NEW	TRUCK DRIVER
360	VACANT	NEW	TRUCK DRIVER
COMMUNITY SERVICE MANAGEMENT			
DEP	SAL NO		NAME
375	VACANT	NEW	DISASTER MANAGEMENT OFFICER
CORPORATE SERVICES MANAGEMENT			
DEP	SAL NO		NAME
450	VACANT	NEW	MANAGER: LEGAL
ADMINISTRATION			
DEP	SAL NO		NAME
500	VACANT	NEW	PRINCIPAL CLERK: RECORDS
500	VACANT	NEW	ADMIN OFFICER
COUNCIL GENERAL			
DEP	SAL NO		NAME
505	VACANT	NEW	MANAGER COMMUNICATION
505	VACANT	NEW	SPECIAL PROGRAM OFFICER
505	VACANT	NEW	MANAGER OFFICE OF THE MAYOR
505	VACANT	NEW	COUNCIL SUPPORT MANAGER
505	VACANT	NEW	YOUTH OFFICER
HUMAN RESOURCES			
DEP	SAL NO		NAME
510	VACANT	NEW	EAP OFFICER
510	VACANT	NEW	PMS OFFICER
FLEET MANAGEMENT			
DEP	SAL NO		NAME
640	VACANT	NEW	DRIVER
640	VACANT	NEW	CHIEF FLEET 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
760	VACANT	NEW	INTERN: PLANNING
FINANCE			
DEP	SAL NO		NAME
775	VACANT	NEW	ACCOUNTANT ASSET MANAGEMENT
775	VACANT	NEW	MANAGER FINANCIAL REPORTING
775	VACANT	NEW	ACCOUNTANT FINANCIAL CONTROL
775	VACANT	NEW	SENIOR CLERK CREDIT CONTROL
775	VACANT	NEW	SCM DEMAND OFFICER
STORES			
DEP	SAL NO		NAME
810	VACANT	NEW	SNR STORES OFFICER

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 600 000.00.

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 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	WARD
ITEM	INTERNALLY FUNDED PROJECTS				
MACHINERY & EQUIPMENT	INTERNAL	400 000.00	408 000.00	0.00	ALL
EXTENSION OF OFFICES	INTERNAL	800 000.00	816 000.00	0.00	ALL
REGISTRATION AUTHORITY		1 200 000.00	1 224 000.00	0.00	
MOBILE TOILETS	INTERNAL	100 000.00	102 000.00	104 040.00	ALL
DICHOEUNG HIGHMAST	INTERNAL	250 000.00	255 000.00	260 100.00	14
PURCHASING OF LIGHT VEHICLE	INTERNAL	350 000.00	357 000.00	364 140.00	ALL
MOHLOTSI HIGHMAST	INTERNAL	250 000.00	255 000.00	260 100.00	16
MOHLALAOTWANE HIGHMAST	INTERNAL	300 000.00	306 000.00	312 120.00	11
MBUZINI/MORARELA HIGHMAST	INTERNAL	300 000.00	306 000.00	312 120.00	15
TSHIKANOSHI HIGHMAST	INTERNAL	300 000.00	306 000.00	312 120.00	6
ELECTRICITY SERVICES		1 850 000.00	1 887 000.00	1 924 740.00	
MACHINERY & EQUIPMENT	INTERNAL	586 339.20	598 065.98	610 027.30	ALL
LANDSCAPING & GREENING PROJECT	INTERNAL	1 000 000.00	1 020 000.00	1 040 400.00	7
EXTENSIONS TO CEMETERY	INTERNAL	750 000.00	765 000.00	780 300.00	7
PARKS AND CEMETERY		2 336 339.20	2 383 065.98	2 430 727.30	
INSTALLATION OF FIRE DETECTORS	INTERNAL	407 712.00	415 866.24	424 183.56	ALL
PURCHASE OF FURNITURE	INTERNAL	700 000.00	714 000.00	728 280.00	ALL
MAINTENANCE OF FIRE DETECTORS RECORDS & ARCH	INTERNAL	56 162.00	59 531.72	63 103.62	ALL
PURCHASE DESKTOPS	INTERNAL	0.00	0.00	0.00	ALL
FILE STORAGE CENTER	INTERNAL	350 000.00	357 000.00	364 140.00	ALL
ADMINISTRATION		1 513 874.00	1 546 397.96	1 579 707.19	
DUMPER X2	INTERNAL	650 000.00	663 000.00	669 630.00	ALL
MOGANYAKA ACCESS ROADS	INTERNAL	8 500 000.00	8 670 000.00	8 756 700.00	9
CONSTRUCTION OF N11 DUALISATION PHASE 1	INTERNAL	5 000 000.00	5 100 000.00	5 151 000.00	7
STORMWATER EXT 6	INTERNAL	7 000 000.00	7 140 000.00	5 211 400.00	7
SAWCUTTER X2	INTERNAL	120 000.00	122 400.00	123 624.00	ALL
BOMAG ROLLER	INTERNAL	500 000.00	510 000.00	515 100.00	ALL
MOBILE TOILETS	INTERNAL	240 000.00	244 800.00	247 248.00	ALL
ROAD & STORM WATER MASTERPLAN	INTERNAL	1 000 000.00	1 020 000.00	1 030 200.00	ALL
LETEBEJANE & DITHOLONG INT ROAD	INTERNAL	1 500 000.00	1 530 000.00	1 545 300.00	16
DICHOEUNG INTERNAL ROAD	INTERNAL	7 000 000.00	6 428 701.56	5 145 717.10	14
ROAD & STORM WATER		31 510 000.00	31 428 901.56	28 395 919.10	

TOTAL INTERNAL FUNDING		38 410 213.20	38 469 365.50	34 331 093.59	
PROJECT NAME	MUNICIPAL INFRASTRUCTURE GRANT FUNDED CAPITAL PROJECTS				
ELANDSKRAAL INTERNAL STREETS	MIG	14 000 000.00	14 280 000.00	14 422 800.00	15
UPGRADING OF ROAD MATILU	MIG	5 000 000.00	5 100 000.00	5 151 000.00	11
UPGRADING OF ROAD PULENG	MIG	5 000 000.00	5 100 000.00	5 151 000.00	11
MOHLALAOTWANE INTERNAL STREET	MIG	6 805 000.00	6 941 100.00	7 010 511.00	11
PMU ESTABLISHMENT	MIG	1 600 000.00	2 166 900.00	3 624 689.00	ALL
TOTAL MIG		32 405 000.00	33 588 000.00	35 360 000.00	
TOTAL INTERNAL FUNDING		70 815 213.20	72 057 365.50	69 691 093.59	

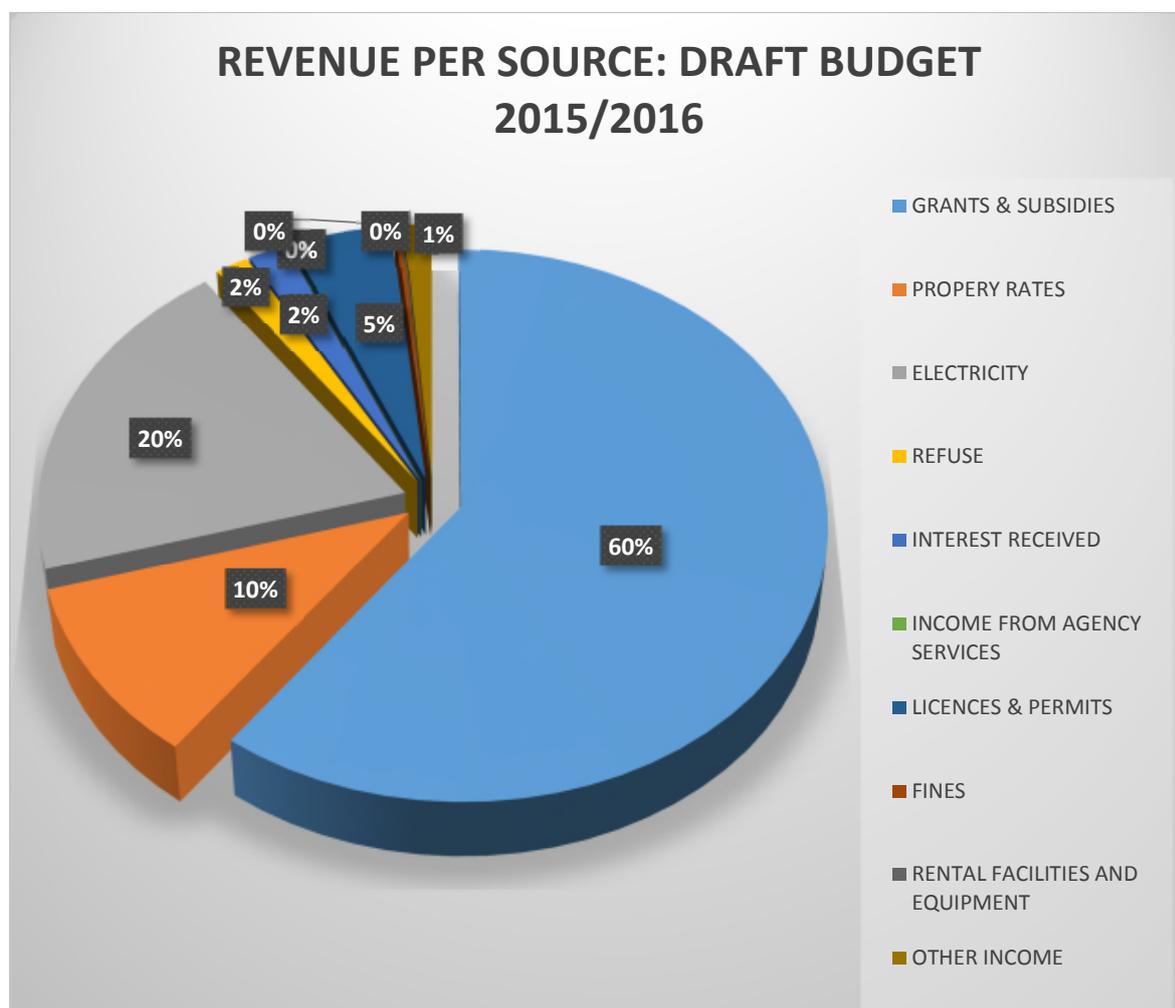
The MIG funding includes the cost for PMU Establishment amounting to R 1 600 000.00.

G. Operating Revenue Framework

i) Total budgeted revenue

ITEM DESCRIPTION	ANNUAL BUDGET 20104/2015	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
FINES	635 169.07	735 169.07	684 411.45	0%	725 476.14	769 004.71
RENTAL 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



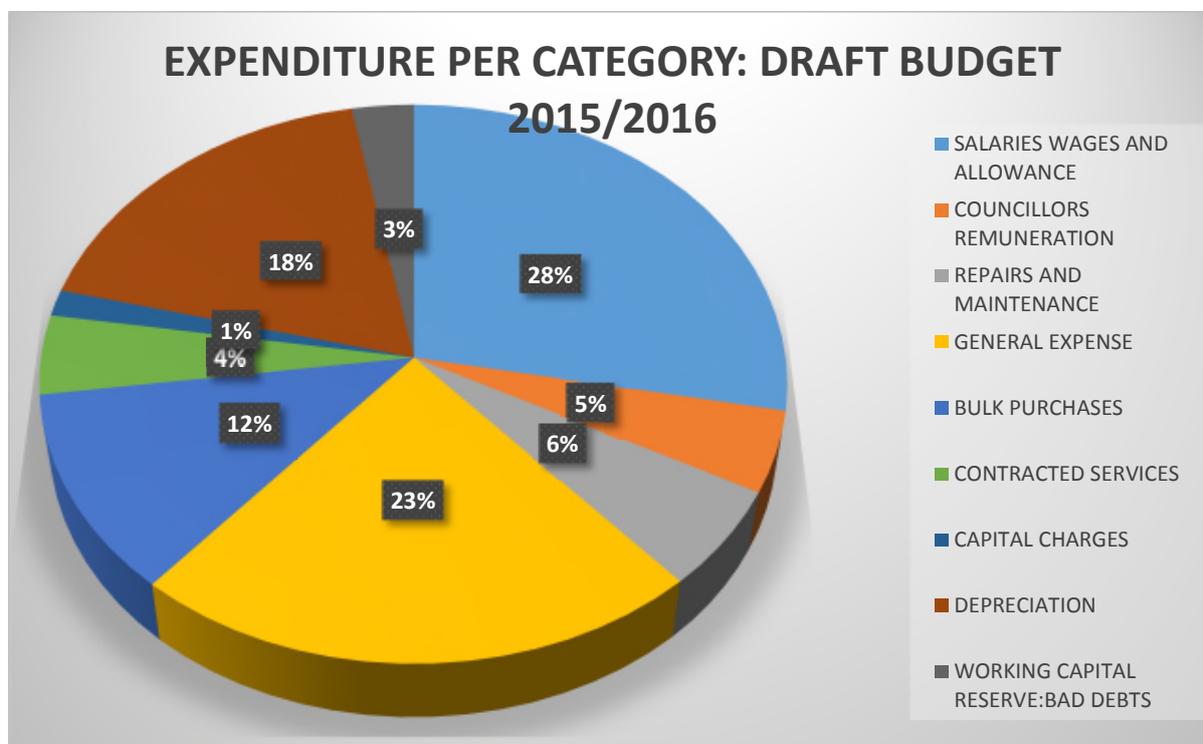
ii) Grants and Subsidies

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

I. 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	65 742 054.20	28%	69 686 577.45	73 867 772.10
COUNCILLORS REMUNERATION	10 156 092.92	11 002 969.83	5%	11 663 148.02	12 362 936.90
REPAIRS AND MAINTENANCE	9 980 850.88	13 545 812.26	6%	14 358 560.99	15 112 802.65
GENERAL EXPENSE	38 421 957.42	53 471 410.86	23%	55 361 475.52	58 804 229.05
BULK PURCHASES	23 827 854.64	27 220 941.14	12%	28 854 197.61	29 431 281.56
CONTRACTED SERVICES	8 421 094.84	10 756 779.17	5%	10 402 185.92	10 652 507.42
CAPITAL CHARGES	3 360 200.00	3 561 812.00	2%	3 775 520.72	3 882 950.36
DEPRECIATION	40 000 000.00	42 400 000.00	18%	43 248 000.00	44 112 960.00
WORKING CAPITAL RESERVE:BAD DEBTS	6 000 000.00	6 900 000.00	3%	7 038 000.00	7 178 760.00
TOTAL OPERATING EXPENDITURE	190 238 716.23	234 601 779.46	100%	244 387 666.23	255 406 200.04
CAPITAL COST	79 262 546.00	70 815 213.20	23%	72 057 365.50	69 691 093.59
TOTAL BUDGET INCLUDING CAPEX	269 501 262.23	305 416 992.66		316 445 031.73	325 097 293.63

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



In ensuring that the budget is aligned with NDP and SPLUMA the municipality has budgeted R 560 000.00 for SPLUMA implementation. To support the LED initiatives the municipality has appointed the LED Manager in the financial year 2014/2015 and a provision for the functioning of the unit has been made to the value of R 300 000.00 in the financial year 2015/2016 where sustainable projects that alleviate poverty will be revived. The municipality continues to respond to job creation through EPWP initiatives.

Budget Consultation Meetings

Budget Consultation meeting were held throughout all the wards in the month of April and May 2015. Furthermore a notice was issued that invites comments for community and all stakeholders after having perused the budget and supporting documentation available in all municipal offices and website.

Issues and or comments were received from members of community through public participation meetings held, Business Chamber and Provincial Treasury. All issues raised are attached for Council's for consideration. However all valid administrative issues have been taken into consideration in the proposed budget presented for approval by Council in a meeting held on the 29th May 2015,

Conclusion

The MTREF for 2015/2016 – 2017/2018 has a deficit amounting to R 48 242 641.97, this is inclusive of non-cash items (depreciation and debt impairment) amounting to R 49 300 000.00. All cash items are however fully funded.

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	14 237	15 647	15 647	15 647	26 431	28 016	29 697
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	1 882	1 882	1 882	-	-	-
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	174	185	185	185	197	209	222
Interest earned - external investments		4 116	5 433	1 196	4 520	4 768	4 768	4 768	4 692	4 974	5 272
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		223	162	496	172	182	182	182	310	328	348
Licences and permits		4 331	3 803	9 305	16 443	18 289	18 289	18 289	12 537	13 290	14 087
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		80 291	103 546	95 736	80 589	95 161	95 161	95 161	122 308	123 962	123 320
Other revenue	2	1 544	90	-	1 544	1 637	1 637	1 637	-	-	-
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		136 239	165 269	160 096	166 370	187 984	187 984	187 984	223 074	230 774	236 541

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
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		62 569	72 029	79 367	95 427	95 480	95 480	122 308	123 962	123 320
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	1 328	1 600	1 650	1 650	1 675	1 810	2 145
EPWP Incentive		-	1 000	-	1 279	1 279	1 279	1 157	-	-
Municipal Systems Improvement		790	800	890	934	937	937	930	957	1 033
D.T.I ORGANIC FARMING										
Provincial Government:		-	-	-	-	-	-	-	-	-
D.T.I ORGANIC FARMING										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Operating Transfers and Grants	5	62 569	72 029	79 367	95 427	95 480	95 480	122 308	123 962	123 320
Capital Transfers and Grants										
National Government:		17 871	21 678	15 992	31 070	31 070	31 070	32 405	33 588	35 360
Municipal Infrastructure (MIG)										
ENERGY EFFICIENCY GRANT		17 871	21 678	15 992	31 070	31 070	31 070	32 405	33 588	35 360
Other capital transfers/grants <i>[insert desc]</i>										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants <i>[insert description]</i>										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Capital Transfers and Grants	5	17 871	21 678	15 992	31 070	31 070	31 070	32 405	33 588	35 360
TOTAL RECEIPTS OF TRANSFERS & GRANTS		80 440	93 707	95 358	126 497	126 550	126 550	154 713	157 550	158 680

1.5 OPERATING EXPENDITURE 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
R thousand	1										
Expenditure By Type											
Employee related costs	2	37 788	41 604	45 251	42 449	45 052	45 052	45 052	62 975	65 746	68 639
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	–	28 000	29 680	29 680	29 680	42 400	44 944	47 641
Finance charges		1 012	–	693		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	41 246	(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	57 122	154 074	162 379	162 379	162 379	270 618	287 480	305 387
Surplus/(Deficit)		(7 663)	69 571	102 973	12 296	25 605	25 605	25 605	(47 544)	(56 706)	(68 846)
Transfers recognised - capital		17 871	21 678			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	102 973	12 296	48 605	48 605	48 605	(15 139)	(23 118)	(33 486)
Taxation											
Surplus/(Deficit) after taxation		10 208	91 249	102 973	12 296	48 605	48 605	48 605	(15 139)	(23 118)	(33 486)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		10 208	91 249	102 973	12 296	48 605	48 605	48 605	(15 139)	(23 118)	(33 486)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		10 208	91 249	102 973	12 296	48 605	48 605	48 605	(15 139)	(23 118)	(33 486)

1.6 CAPITAL EXPENDITURE

LIM471 Ephraim Mogale - 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		
		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

1.7 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. 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 understand 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 has held public participation meetings for comments with regards to the budget from the 01st April–15th May 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:

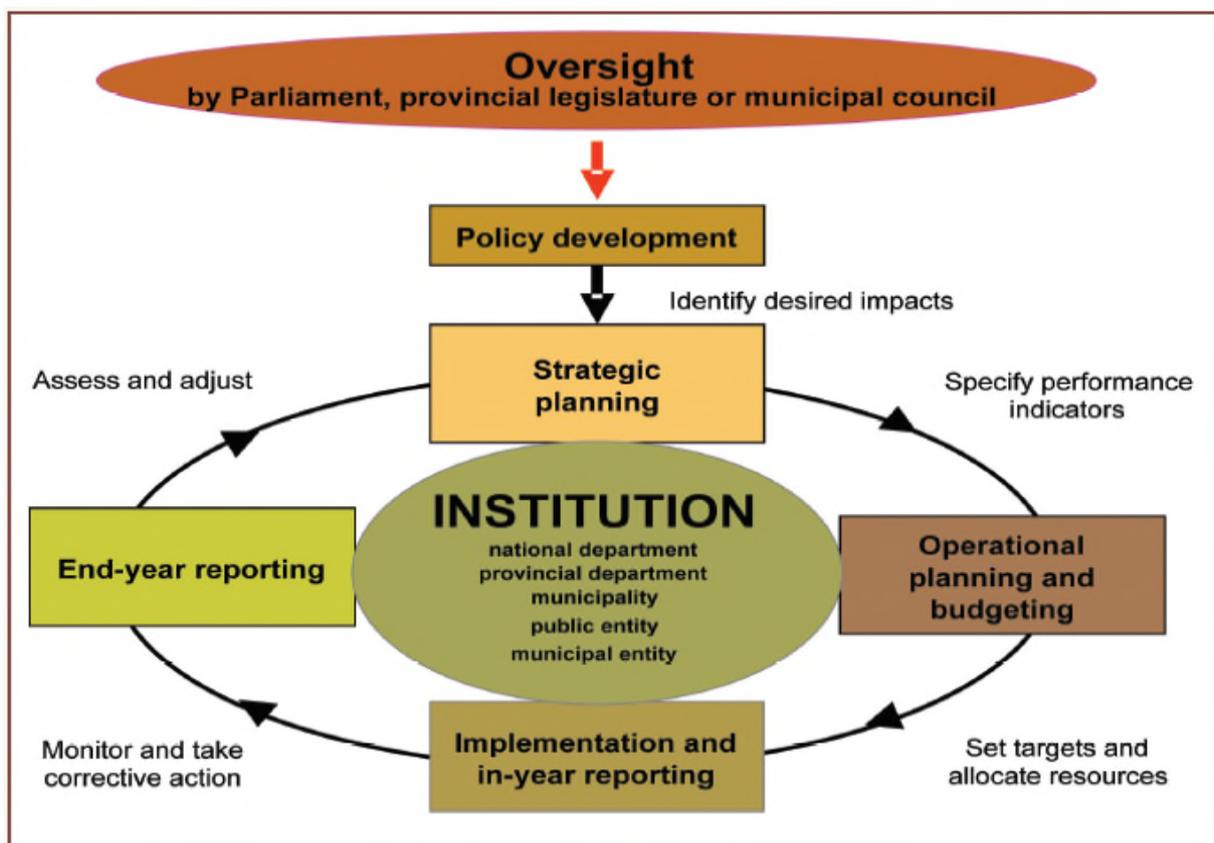


Figure 1 Planning, budgeting and reporting cycle

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:

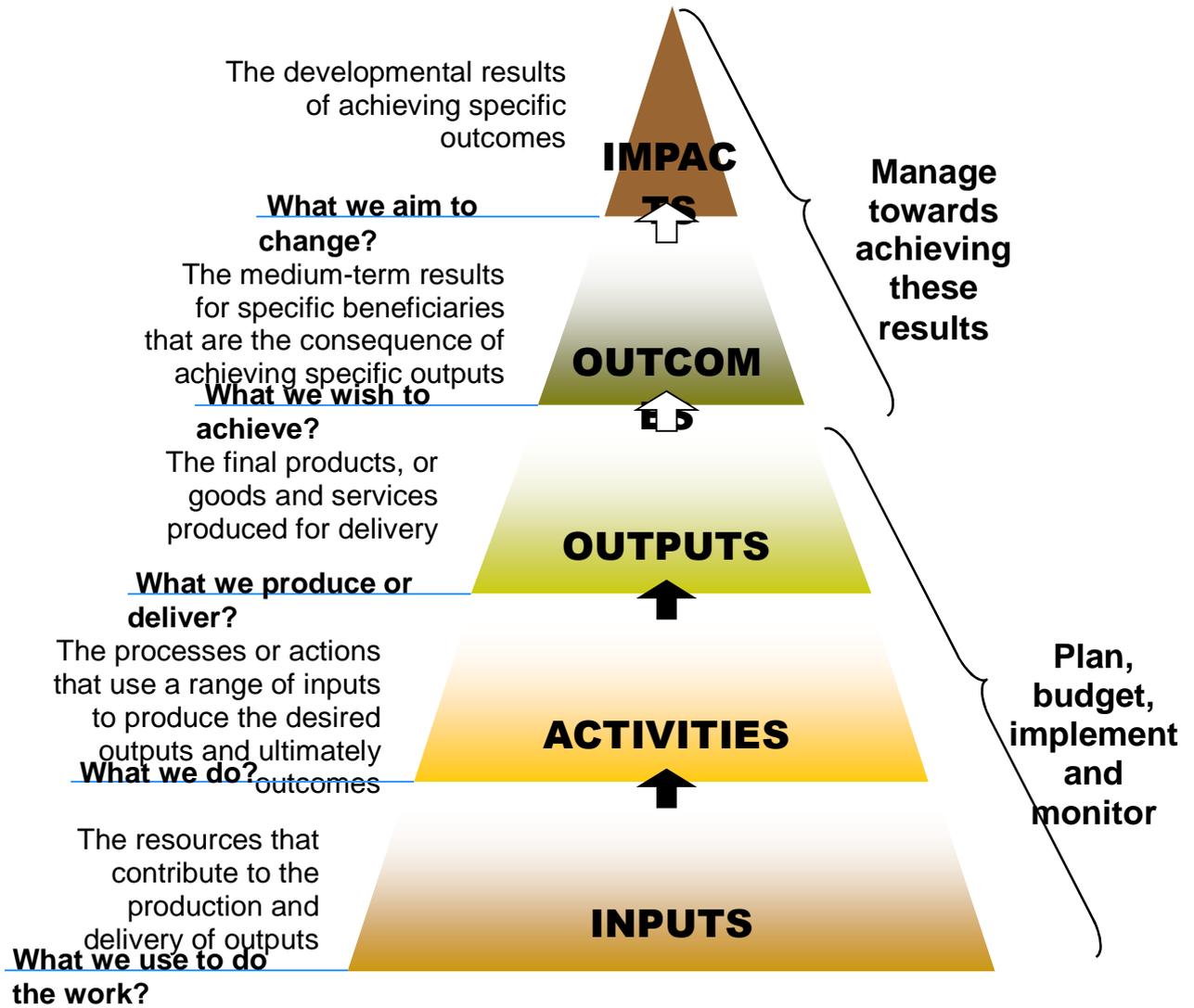


Figure 2 Definition of performance information concepts

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-imbursment 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 by 7%.
- The 85% average payment rate.

2.6 Overview of Budget Funding

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
Financial Performance										
Property rates	11 216	12 252	16 863	14 237	15 647	15 647	15 647	26 431	28 016	29 697
Service charges	34 362	39 875	36 351	48 691	52 115	52 115	52 115	56 599	59 995	63 595
Investment revenue	4 116	5 433	1 196	4 520	4 768	4 768	4 768	4 692	4 974	5 272
Transfers recognised - operational	80 291	103 546	95 736	80 589	95 161	95 161	95 161	122 308	123 962	123 320
Other own revenue	6 254	4 163	9 949	18 333	20 293	20 293	20 293	13 045	13 827	14 657
Total Revenue (excluding capital transfers and contributions)	136 238	165 269	160 096	166 370	187 984	187 984	187 984	223 074	230 774	236 541

2.7 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**

2.7 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 and SDBIPs attached as **Annexure F**.

Explanatory notes on internal votes

FINANCIAL SERVICES DEPARTMENT:		
INTERNAL DEPARTMENT	DESCRIPTION OF FUNCTIONS	MANAGEMENT STRUCTURE
Supply Chain Management Unit.	<p>The main objective for the Department of Finance is to sustain the success of the past and also to drill down deeper in resolving identified issues. The main focus in the past was overall prudent financial management. With those processes now in place senior management is focused on fine tuning all processes, hence the responsibility to:</p> <ul style="list-style-type: none"> • To ensure compliance with legislative, reporting framework and prescribed accounting standards on budget, supply chain and financial statement • To build the capacity of municipality and to implement sound institutional and governance systems required in terms of local government legislations • To ensure Financial viability • To maximize revenue • To ensure accurate Financial Management • To ensure implementation of debt management and credit control policy • To manage and maintain all municipal assets to comply with GRAP 17 • To ensure efficient, effective cash flow management 	<p>This department is headed by the Chief Financial Officer, K Ramosibi. The CFO is assisted by two divisional Managers who are heading the SCM and Financial Accounting respectively. The post of Manager Budget and Reporting is vacant.</p>
Budget and Reporting Office.		
Financial Accounting (Expenditure Management and Revenue Management).		
CORPORATE SERVICES DEPARTMENT:		
INTERNAL DEPARTMENT	DESCRIPTION OF FUNCTIONS	MANAGEMENT STRUCTURE

Human Resources	<p>The sections are responsible for:</p> <ul style="list-style-type: none"> • Provision and maintenance of human capital. • Staff termination of services (resignations, retirements, death, disciplinary, reasons etc.) • • Labour relations. • Occupation Health and Safety. • Staff development through skills development. • Employment Equity Plan and report. • Employee wellness. • HR administrative services. • To promulgate and implement by-laws approved by Council. • To maintain proper filing through the Registry procedure Manual • To file documents of the municipality for reference and accessibility. • Educative activities to ensure that Officials and Councillors understand the Performance Management System will be commissioned. • Comments from the performance assessment committees will be used to improve on areas that need to be improved. 	<p>This department is headed by the Director Corporate Services, Mr M. J. Lekola. The manager is assisted by two divisional Managers who are managing the different divisions which is Human Resources and Administration and IT.</p>
Administration and IT		
Legal Services		
Labour Relations & Compliance		
Council Support	<p>This office is responsible for the following:</p> <ul style="list-style-type: none"> • To narrow the social distance between the community and the municipality. • Recognize the intrinsic value of all of our people, investing in their ability to contribute to governance processes, 	

	<ul style="list-style-type: none"> • Strengthen ward committees and the community involvement in the municipal affairs. • Reinforce elected officials linkage with communities through izimbizo, road shows and lekgotlas. In line with Section 52 of the Constitution of South Africa, the LM will ensure: 1) The involvement of the community of Ephraim Mogale LM in the planning processes of decision making processes, i.e. ward committees, organisational arrangement of the IDP; performance review, Budget 2) Special attention will be given to the involvement of youth, women and people with disabilities in the development process; and 3) Organisation of community outreach meetings for the purpose of feedback and further engagement. • Develop appropriate mechanisms, processes and procedures to encourage the involvement of community in matters of Local Government; • Invite as many stakeholders and structures in all community participation matters through CDWs; • Train people who are responsible for loud-hailing of community meetings; • Effectively train and workshop Ward Committees, Councillors and officials on the importance of community participation; • Encourage the establishment and active involvement of youth, women and aged in matters of local governance; • Convene the Budget, IDP, Mayoral <i>izimbizo</i>, NDM IDP outreach meetings; • Ensure that ward committees communicate with their constituencies and create a platform of accountability to communities; 	
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	See that Community Development Workers (CDWs) are properly integrated into Wards Committees;	
Information, Communication and Technology	<p>The ICT section provides the following services:</p> <ul style="list-style-type: none"> • To have a reliable network with minimal interruptions. • Improving the communication with the community. • Provision of information security which is emphasised in the form of policies, awareness campaigns and guidelines, • Provision of network security by acquiring firewalls and maintaining antivirus software updates and patches. • Provides network administration by ensuring data and information is being backed up and kept in specified location, users are created and removed from the network as per departmental requests. • Hardware and software maintenance and ensures that the all licensing is in place and renewal of some applications subscriptions used by the Municipality. 	
OFFICE OF THE MUNICIPAL MANAGER:		
INTERNAL DEPARTMENT	DESCRIPTION OF FUNCTIONS	MANAGEMENT STRUSCTURE
Internal Audit	<p>The internal audit function plays an important role in supporting the Municipal's operations:</p> <ul style="list-style-type: none"> • It provides reasonable assurance on all the important aspects of internal controls, risk management and governance processes. • The Standard for the Professional Practice of Internal Auditing number 2100 stipulates that the role of the internal audit function is to add value, evaluate and improve the organization's risk management, control and governance processes. 	<p>This department is headed by the Municipal Manager, however the post is still vacant and Ms M.M Mathebela The office consists of only Internal Audit which is currently vacant and all Section 56 Managers are reporting directly to the Municipal Manager.</p>

	<ul style="list-style-type: none"> The internal audit function must also provide reasonable assurance that the systems of internal controls are adequate and effective to manage the risk at a level that is acceptable to management. Internal control is defined broadly and encompasses those elements of an organization (including its resources, systems, processes, culture, structure and tasks) that taken together support the achievement of the organizational objectives. 	
PLANNING AND DEVELOPMENT:		
INTERNAL DEPARTMENT	DESCRIPTION OF FUNCTIONS	MANAGEMENT STRUCUTURE
Urban Renewal Programme	<ul style="list-style-type: none"> To meet the quality housing needs of residents in the municipal area of jurisdiction and minimize the spread of informal settlements. To facilitate the finalisation of land claims and ensure that claimants are settled accordingly. 	The post of the Director is vacant. There are currently three Managers: Manager Town Planning, Manager IDP and Manager LED
IDP / LED	<p>This section has a responsibility to:</p> <ul style="list-style-type: none"> To ensure economic growth in all sectors of the economy in order to curb unemployment and related negative issues by integrating the priorities of the National, Mpumalanga Growth and Development Path with the LED strategy of the Municipality and the District To ensure economic growth and all capital projects contribute towards the alleviation of poverty and job creation. Development and revision of Council's Integrated Development Plan. 	

	<ul style="list-style-type: none"> • Conduct community consultation meetings in each ward to obtain inputs with regard to the developmental needs of the community. • Organise and facilitate IDP Technical Committee meetings. • Organise and facilitate IDP Representative Forum meetings. 	
COMMUNITY SERVICES DEPARTMENT:		
INTERNAL DEPARTMENT	DESCRIPTION OF FUNCTIONS	MANAGEMENT STRUCUTURE
Licensing, Law Enforcement/ Security & Public Safety	<ul style="list-style-type: none"> • To increase visibility and supervision of traffic officers. • To establish community policing forums in all wards with the liaison of SAPS. • To create a secure and safe environmental that minimizes fraudulent activities in the municipality. • Increase the capacity of the Ephraim Mogale LM. testing grounds through its engagement with stakeholders. • To facilitate integrated communication with SAPS, Magistrate Courts and Correctional Services. • To purchase important responsive equipment and vehicles. • To protect and safeguard municipal assets and property. • To provide a safe working environment for the municipal staff and clients. • To promote adequate public transport management. 	The post of the Director is vacant and two divisional manager are assisting in the department: Manager Social Services and Manager Traffic.
Emergency Services: Fire services & Disaster management	<ul style="list-style-type: none"> • Ensure safe, prompt, effective fire fighting and ambulance service • Formulate a comprehensive plan to co-ordinate with all role players • Increase community access of emergency serves 	

	<ul style="list-style-type: none"> • To establish an effective, safe, prompt and responsive team that will assist in the prevention, mitigation and proper management for during disaster. 	
Culture, Sports, and Recreation	<ul style="list-style-type: none"> • To create environment within which community members can easily participate in a sport of their choice • To provide a convenient sports and recreation infrastructure • To increase levels of participation in sport and recreation. • To improve the mental and physical wellbeing of the youth through arts, culture and sports. • To improve the general health and welfare of the youth. • To ensure that youth benefits from sustainable job opportunities created. • To create interventions aimed at providing access to quality development to both ECD centres and primary schools. • Facilitate resources from social partners to register grade 12 graduates to institutions of higher learning. • To ensure quality life through integrated services for people living with disabilities, woman and children. • To create interventions aimed at improving the wellbeing and dignity of elderly person during their pay day and in life generally. • To ensure that people living with disabilities are given fair opportunities when job opportunities are available. • To ensure that Moral Regeneration Movement plays its vital role in restoring values to the community 	

Library	<ul style="list-style-type: none"> • Municipal libraries contribute to the promotion of the culture of learning amongst our community members. • They however, are enriched with the reading materials that are relevant for adults, since they are public libraries and not necessarily, school libraries. 	
Environmental Management	<ul style="list-style-type: none"> • Control and minimize environmental degradation. • Ensure that the general environment is protected and promoted in a sustainable way. • Ensure that communities have access to safe drinking water and that water sources are not polluted through water monitoring programs. • Educate all residents on the importance of the protection of the environment. • Capacitated Environmental Health section on Environmental management issues. 	
Waste Management	<ul style="list-style-type: none"> • Provide a safe, effective and economical waste management and waste disposal service through ongoing management, maintenance and provision of appropriate landfill sites; development of a waste management program, taking into consideration the National Environmental Management: Waste Act 59 of 2008 and the National Waste Management Strategy. • Control and minimize waste on landfill sites through recycling initiatives. • Ensure that the general environment is protected and promoted in a sustainable way. • Management of landfill sites according to the DWAF Minimum Requirements for Landfill. 	
Parks Grounds and Parks Chalets and Cemeteries.	<ul style="list-style-type: none"> • Ensure that the park accommodates numerous activities and events. 	

	<ul style="list-style-type: none"> • Ensure that local communities are involved in and benefit from the park • To promote a healthy and clean environment • To beautify the appearance of the towns. • To protect the memorial stones of those people who have passed on in life. • To provide adequate access and burial space for our communities. • Cleaning and maintenance of cemeteries • Providing access roads to cemeteries. 	
INFRASTRUCTURE SERVICES DEPARTMENT:		
INTERNAL DEPARTMENT	DESCRIPTION OF FUNCTIONS	MANAGEMENT STRUCTURE
Electricity	<ul style="list-style-type: none"> • To provide adequate and reliable electricity services to all communities in Ephraim Mogale LM • Upgrade and maintain the electricity network continuously to ensure minimal interruption 	This department is headed by the Director Infrastructure Ms E.M . Radingwana assisted by three Manager PMU. Manager Electrical Manager Roads & Stormwater.
Roads and Stormwater	<ul style="list-style-type: none"> • To improve the condition of the existing roads for users in all the towns, townships and farm areas. 	
Project Management Unit	<ul style="list-style-type: none"> • This section has responsibility for project managing and administration of MIG funding, within the relevant municipal accounting system, for infrastructure projects of their own using MIG funds and for projects of other municipalities where they are delegated this authority; • Coordination of the project identification process in terms of the relevant IDP; • Coordination of the project feasibility process, with involvement of other municipal departments where appropriate, in terms of the relevant IDP; • Establishment and approval of contracts with contractors and consultants for each project, including feasibility studies; 	

	<ul style="list-style-type: none"> • Project management, including ensuring that projects meet planning objectives; • Coordination of project-based capacity building initiatives: the PMU is responsible for ensuring that project-related capacity building and development objectives are met; and • Management of MIG Management Information System (MIG –MIS) for registration of projects, facilitate the capture of backlog information, monitoring and preparation of all necessary reports. • Build capacity to operate and manage the MIG-MIS. 	
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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.

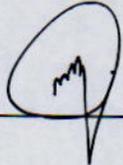
Other supporting documents entail supporting budget tables on SA1 to SA37, attached as **Annuxure H**

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 : 12/06/15