

ANNUAL BUDGET OF  
**ENGCOBO LOCAL  
MUNICIPALITY**

2013/14 TO 2016/17  
REVENUE AND EXPENDITURE  
FORECASTS

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## Abbreviations and Acronyms

BPC	Budget Planning Committee		Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
DoRA	Division of Revenue Act	MSA	Municipal Systems Act
EE	Employment Equity	MTEF	Medium-term Expenditure Framework
EM	Executive Mayor	MTREF	Medium-term Revenue and Expenditure Framework
FBS	Free basic services		Regulator South Africa
GAMAP	Generally Accepted Municipal Accounting Practice	NGO	Non-Governmental organisations
GDP	Gross domestic product	NKPIs	National Key Performance Indicators
GFS	Government Financial Statistics	OHS	Occupational Health and Safety
GRAP	General Recognised Accounting Practice	OP	Operational Plan
HR	Human Resources	PMS	Performance Management System
HSRC	Human Science Research Council	PPE	Property Plant and Equipment
IDP	Integrated Development Strategy	SALGA	South African Local Government Association
IT	Information Technology	SDBIP	Service Delivery Budget Implementation Plan
LED	Local Economic Development	SMME	Small Micro and Medium Enterprises
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

It is that time of the year as required by the MFMA section 16 (2) which stipulate that a municipal council must consider and approve a Draft annual budget,

I stand before you today to table the draft annual budget for consideration by the council that will be the tool used for the next year in ensuring that the lives of the communities are improved through sustainable service delivery to them.

Steps to prepare the new budget have been followed starting with the approval of the budget process plans and policies to be used when compiling the budget. The municipality has developed a draft IDP which is a tool which gives guidance to the future plans of the municipality. Based on the draft IDP, SDBIP has been developed which gives a clear picture of the needs of each department. The budget has been prepared based on the plans as highlighted on the IDP.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone, printing, workshops, national travel, accommodation, Subsistence and travelling allowances, overtime and catering.

The budget is in deficit as a result of non-cash Items which is Depreciation, leave provision and provision for bad debts. The cash flow shows that our budget is fully funded with a surplus of R2 Mil. The Municipality need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

#### **BUDGET HIGHLIGHTS**

The Municipality has remained focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The municipality has increase budget on roads maintenance with 35% from prior year allocation. Previously the municipality has not invested a lot in this area which had a negative impact on the life span of our Roads. The municipality has put aside R9 Mil for heavy duty equipment, this will increase the number of roads constructed internally. The municipality has set aside R1mil for development of its employees; this will help to capacitate the employees on the areas where development is needed and also bursaries for the disadvantaged youth within our borders,

The budget sees to enhance service delivery aimed at improving the quality of life for all people within Engcobo Local Municipality

The emphases on the budget are on creation of job opportunities through rural developments, Community projects, Charcoal projects, Umgwali Maize project and EPWP program and other LED programs. The municipality is also embarking on program assisting youth with equipment which will assist them to start their own business this is championed by our Special Program Unit. Through the Office of IPED the municipality has set aside a budget to identify areas with potential mineral resources with our area this will be done in partnership of DOE. The municipality has embarked on a program to fight HIV and AIDS through partnership with Health department. The municipality continues to provide the free basic services to indigent.

**EMPLOYEE COSTS**

All the post on the approved organogram has been provided for in this budget, Actual figures of February were used to project the total cost of employee cost for 2014/2015 financial year. As per Circular 70 the Following percentages were used to budget for employee cost.

6.64 Salary increase  
2.5% notch increment.  
**TOTAL TO 9.14%**

❖ **The following Posts have been created for 2014/2015 financial year.**

- **Municipal Manager**
  1. Risk Officer
  2. Chief Internal Auditor
  3. SPU Clerk
- **IPED**
  1. IDP/PMS officer
- **Budget and Treasury department**
  1. Expenditure clerk
  2. Creditors Clerks
  3. Cashier
  4. Asset Management Officer
- **Co-operate service department**
  1. HR Assistant Manager
  2. Employee Health & Wellness officer
- **Technical Department**
  1. Electrician
  2. PMU Manager
  3. Diesel Mechanic
- **Community Services Department**
  1. Community service clerk

❖ As per Circular 70 the Following percentages were used to budget for employee cost.

6.64 Salary increase  
2.5% notch increment.  
**TOTAL TO 9.14%**

I stand before you today to table the draft annual budget for consideration by the council that will be the tool used for the next year in ensuring that the lives of the communities are improved through sustainable service delivery to them.

**1.2 Council Resolutions**

On 28 March 2014 the Council of Engcobo Local Municipality met in the New Council Chambers consider the annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Engcobo Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 6 on page 14
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 7 on page 16
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 8 on page 18; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 9 on page 19
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
    - 1.2.2. Budgeted Cash Flows as contained in Table 11 on page 24
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
    - 1.2.4. Asset management as contained in Table 9 on page 19; and
    - 1.2.5. Basic service delivery measurement as contained
2. The Council of Engcobo Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014: as Set out in Annexure A
  - 2.1. the tariffs for property rates – as set out in Annexure A
  - 2.2. the tariffs for the supply of water – as set out in Annexure A
  - 2.3. the tariffs for sanitation services – as set out in Annexure A
  - 2.4. the tariffs for refuse services – as set out in Annexure A

Print Name \_\_\_\_\_

Honorable Mayor of Engcobo Local Municipality

Signature \_\_\_\_\_

Date \_\_\_\_\_

### 1.3 Executive Summary

As required by the section 24 of the Municipal Finance Management Act, (Act 56 of 2003) which stipulate that a municipal council must consider and approve a Draft annual budget

Steps to prepare the new budget have been followed starting with the approval of the budget process plans and policies to be used when compiling the budget. The municipality has developed a draft IDP which is a tool which gives guidance to the future plans of the municipality. Based on the draft IDP, SDBIP has been developed which gives a clear picture of the needs of each department. The budget has been prepared based on the plans as highlighted on the IDP.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone, printing, workshops, national travel, accommodation, Subsistence and travelling allowances, overtime and catering.

The budget is in deficit as a result of non-cash Items which is Depreciation, leave provision and provision for bad debts. The cash flow shows that our budget is fully funded with a surplus of R2 Mil. The Municipality need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

National Treasury's MFMA Circular No. 70 was used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- Aging and poorly maintained water, roads infrastructure;
- The need to prioritise projects and expenditure within low revenue base.
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies and to provide for increase in municipal salaries due to the results of Job evaluation.
- Agreeing with the communities on the tariffs as they raise dis satisfaction on certain areas on service delivery.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- The budget has been prepared based on the plans as highlighted on the IDP.
- Activity based costing was used as each items on the budget is supported by a list or motivation setting out the intention and cost of the expenditure.
- Inflation rate was use as guide on determining tariffs for the municipality

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

**1.4 Table 1 Consolidated Overview of the 2014/15 MTREF**

R thousand	Adjusted Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year+2 2016/17
Total Revenue (excluding capital transfers and contributions)	108 383 255	129 945 500	161 570 207	164 519 208
Total Expenditure	156 996 645	153 611 112	161 907 166	170 650 152
Surplus/(Deficit)	<b>(48 613)</b>	<b>(23 666)</b>	<b>(337)</b>	<b>(6 131)</b>
Transfers recognised - capital	66 658	35 804	37 639	42 215
Surplus/(Deficit) for the year	<b>18 045</b>	<b>12 138</b>	<b>37 302</b>	<b>36 084</b>

Total operating revenue has grown by 19.89 per cent or R21, 562 Million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by 49.07 and 51.79 per cent respectively, equating to a total revenue growth of R56,1 million over the MTREF when compared to the 2013/14 financial year.

Total operating expenditure for the 2014/15 financial year has been appropriated at R153,6 Million and translates into a budgeted Operating surplus of R12 ,138 Million. The deficit before capital revenue is as result of Depreciation [R38 Million) and Provisions [R1,5 Million]. When compared to the 2013/14 Adjustments Budget, operational expenditure has decreased by 2.15 per cent in the 2014/15 budget and it has increased by 3.13 and 8.70 per cent for each of the respective outer years of the MTREF. The decrease in current year expenditure is due to increase in Capital expenditure. The surplus for the year will not be able to fund Capital Project; this is a result of non-cash Items which are part of operating expenditure. However the cash flow does how that capital Projects are fully funded.

The capital budget of R49,5 million for 2014/15 is 32, 26 per cent less when compared to the 2013/14 Adjustment Budget. The reduction is due to lesser funding for electrification and Chris Hani District municipality grant. A substantial portion of the capital budget will be funded from Government grants.

### Operating Revenue Framework

For Engcobo to continue improving the quality of services provided to its citizens it needs to generate the required revenue and increase its revenue base. The reality is that we are faced with backlogs on Roads, Electrification and Sanitation. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.



The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

EC137 Engcobo - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2010/11			Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>											
Property rates	2	3 373	3 315	2 893	3 800	-	3 800	3 800	3 000	3 162	3 333
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	681	2 769	1 227	1 544	-	1 544	1 544	1 000	1 054	1 111
Service charges - sanitation revenue	2	-	-	778	834	-	834	834	1 000	1 054	1 111
Service charges - refuse revenue	2	-	-	700	700	-	700	700	1 000	1 054	1 111
Service charges - other							-	-			
Rental of facilities and equipment		105	124	177	194	30	224	224	298	314	331
Interest earned - external investments		1 291	2 231	2 267	1 700	500	2 200	2 200	3 000	3 162	3 333
Interest earned - outstanding debtors							-	-			
Dividends received							-	-			
Fines		67	59	35	100		100	100	40	42	44
Licences and permits		3 282	3 415	3 624	3 400		3 400	3 400	4 000	4 216	4 444
Agency services											
Transfers recognised - operational		82 150	121 169	105 008	90 982	2 470	93 452	93 452	107 544	137 959	139 633
Other revenue	2	6 901	54 204	433	333	1 775	2 130	2 130	9 064	9 553	10 069
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>97 850</b>	<b>187 286</b>	<b>117 142</b>	<b>103 586</b>	<b>4 775</b>	<b>108 383</b>	<b>108 383</b>	<b>129 946</b>	<b>161 570</b>	<b>164 519</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a insignificant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2014/15 financial year, revenue from rates and services charges totaled R6 Million or 4.6% per cent of total operating revenue.

Property rates are the second largest revenue source totaling 2.3 per cent or R3 Million rand. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R93,4 Million in the 2013/14 financial year and steadily increases to R107,5 Million by 2013/14. Note that the year-on-year growth for the 2013/14 financial year is 15 per cent and then flattens out to 28.28 and 1.21 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**

EC137 Engcobo - Supporting Table SA18 Transfers and grant receipts				
Description	2014/15 Medium Term Revenue & Expenditure Framework			
	Budget Year 2013/14	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand				
<b>RECEIPTS:</b>				
<u>Operating Transfers and Grants</u>				
<b>National Government:</b>	90 044	107 544	137 959	139 633
Local Government Equitable Share	86 604	103 995	134 274	135 782
Finance Management	1 550	1 600	1 650	1 700
Municipal Systems Improvement	890	930	961	1 019
EPWP Incentive	1 000	1 019	1 074	1 132
Other transfers/grants [insert description]				
<b>Provincial Government:</b>	-	-	-	-
Other transfers/grants [insert description]				
<b>District Municipality:</b>	-	-	-	-
[insert description]				
<b>Other grant providers:</b>	-	-	-	-
[insert description]				
<b>Total Operating Transfers and Grants</b>	<b>90 044</b>	<b>107 544</b>	<b>137 959</b>	<b>139 633</b>
<u>Capital Transfers and Grants</u>				
<b>National Government:</b>	59 006	35 804	37 639	39 214
Municipal Infrastructure Grant (MIG)	59 006	35 804	37 639	39 214
<b>Provincial Government:</b>	-	-	-	-
Other capital transfers/grants [insert description]				
<b>District Municipality:</b>	-	-	-	-
[insert description]				
<b>Other grant providers:</b>	-	-	-	-
[insert description]				
<b>Total Capital Transfers and Grants</b>	<b>59 006</b>	<b>35 804</b>	<b>37 639</b>	<b>39 214</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>149 050</b>	<b>143 348</b>	<b>175 598</b>	<b>178 847</b>

## 1.5 Operating Expenditure Framework

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

**Table 4 Summary of operating expenditure by standard classification item**

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Expenditure By Type</b>										
Employee related costs	21 029	27 683	34 651	36 373	1 781	38 154	38 154	42 203	44 482	46 884
Remuneration of councillors	6 624	9 131	9 116	10 041	100	10 141	10 141	11 971	12 618	13 299
Debt impairment			3 528	600	2 928	3 528	3 528	1 500	1 581	1 666
Depreciation & asset impairment	19 550	23 720	29 810	10 000	30 000	40 000	40 000	38 000	40 052	42 215
Finance charges	37	46								
Bulk purchases	-	-	-	-	-	-	-	-	-	-
Other materials			6 632	11 481	(327)	11 154	11 154	13 285	14 002	14 759
Contracted services	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	2 168	3 000	141	3 141	3 141	3 000	3 162	3 333
Other expenditure	62 652	88 585	12 900	42 308	8 571	50 879	50 879	43 652	46 011	48 495
Loss on disposal of PPE										
<b>Total Expenditure</b>	<b>109 891</b>	<b>149 165</b>	<b>98 805</b>	<b>113 803</b>	<b>43 194</b>	<b>156 997</b>	<b>156 997</b>	<b>153 611</b>	<b>161 907</b>	<b>170 650</b>

The budgeted allocation for employee related costs for the 2014/15 financial year totals R54,1 Million, which equals 35% per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 9.14 per cent for the 2014/15 financial year, this include 6.4% as per circular 70 plus 2.5% Salary Notch Increment. An annual increase of 6.64% per cent has been included in the two outer years of the MTREF

A preliminary amount of R4 million has been included in the 2014/15 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality budget.

The provision of debt impairment was determined based on an annual collection rate of 97 per cent and the Debt Write-off Policy of the Municipality. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Budget appropriations in this regard total R39.5 million for the 2014/15 financial and equates to 24.73 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, tipping of gravel roads. In line with the Municipality repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality infrastructure. For 2014/15 the appropriation against this group of expenditure has grown by 19 per cent (13 million) and continues to grow at 5.4 and 5.4 per cent for the two outer years of which budget allocation

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Other expenditure has declined by 14 per cent for 2014/15 and curbed at 5.4 and 5.4 per cent for the two outer years, indicating that significant cost savings have been already realised.

### 1.3.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 5 Operational repairs and maintenance**

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Expenditure By Type</b>										
Employee related costs	21 029	27 683	34 651	36 373	1 781	38 154	38 154	42 203	44 482	46 884
Other materials			6 632	11 481	(327)	11 154	11 154	13 285	14 002	14 759
Other expenditure	62 652	88 585	12 900	42 308	8 571	50 879	50 879	43 652	46 011	48 495
<b>Total Expenditure</b>	<b>83 681</b>	<b>116 268</b>	<b>54 184</b>	<b>90 162</b>	<b>10 025</b>	<b>100 187</b>	<b>100 187</b>	<b>99 140</b>	<b>104 494</b>	<b>110 137</b>

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 19 per cent in the 2014/15 financial year equates R13 285. In relation to the total operating expenditure, repairs and maintenance comprises of 8.6, 5.4 and 5.4 per cent for the respective financial years of the MTREF.

**Explanatory notes to MBRR Table A1 - Budget Summary**

**Table 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

EC137 Engcobo - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue - Standard</b>										
<i>Governance and administration</i>	1	37 243	105 445	98 600	96 152	2 248	98 400	121 313	127 863	134 768
Executive and council		-	-	-	6 108	-	6 108	-	-	-
Budget and treasury office		37 205	105 391	98 600	90 044	2 248	92 292	121 313	127 863	134 768
Corporate services		38	55	-	-	-	-	-	-	-
<i>Community and public safety</i>		3 837	4 230	4 320	4 854	119	4 973	588	620	653
Community and social services		3 837	4 230	4 320	4 854	119	4 973	588	620	653
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		44 128	45 325	47 127	31 607	30 244	61 851	43 849	57 639	69 214
Planning and development		2 154	1 105	1 200	350	2 495	2 845	-	-	-
Road transport		41 974	44 220	45 927	31 257	27 749	59 006	43 849	57 639	69 214
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		27 892	54 116	21 926	28 861	-	28 861	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		27 892	54 116	21 926	28 861	-	28 861	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	113 100	209 116	171 974	161 475	32 610	194 085	165 750	186 122	204 635
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		42 408	51 333	76 271	58 635	37 059	95 695	96 739	101 963	107 469
Executive and council		14 913	17 948	51 486	18 852	82	18 934	23 603	24 877	26 221
Budget and treasury office		13 081	13 557	19 376	30 087	34 821	64 909	58 970	62 155	65 511
Corporate services		14 414	19 828	5 409	9 696	2 156	11 852	14 166	14 931	15 738
<i>Community and public safety</i>		29 452	36 311	18 429	14 566	1 253	15 819	16 490	17 381	18 319
Community and social services		29 452	36 311	18 429	14 566	1 253	15 819	16 490	17 381	18 319
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		38 053	33 014	25 203	21 176	3 251	24 427	40 381	42 562	44 860
Planning and development		3 274	5 181	13 851	7 104	3 978	11 082	14 955	15 763	16 614
Road transport		34 779	27 833	11 352	14 072	(726)	13 346	25 426	26 799	28 247
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		26	28 603	45 246	19 425	1 630	21 055	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		26	28 603	45 246	19 425	1 630	21 055	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	109 939	149 261	165 149	113 803	43 194	156 997	153 611	161 906	170 649
<b>Surplus/(Deficit) for the year</b>		3 161	59 856	6 825	47 672	(10 584)	37 088	12 138	24 216	33 986

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. 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.
2. Note the Total Revenue on this table includes capital revenues. (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for water and sanitation, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and treasury office

**Table7 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

EC137 Engcobo - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue by Vote</b>										
Executive & Council	1	-	-	-	-	-	-	-	-	-
Municipal manager		2 154	1 105	1 200	6 458	2 495	8 953	-	-	-
Corporate Services		38	55	-	-	-	-	-	-	-
Community services		3 837	4 230	4 320	4 854	119	4 973	588	620	653
Financial Services		37 205	105 391	98 600	90 044	2 248	92 292	121 313	127 863	134 768
INFRASTRUCTURAL ENGINEERING		69 866	98 336	67 853	60 118	27 749	87 867	43 849	57 639	69 214
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>113 100</b>	<b>209 116</b>	<b>171 974</b>	<b>161 475</b>	<b>32 610</b>	<b>194 085</b>	<b>165 750</b>	<b>186 122</b>	<b>204 635</b>
<b>Expenditure by Vote to be appropriated</b>										
Executive & Council	1	8 723	13 665	12 597	15 031	97	15 128	17 471	18 415	19 409
Municipal manager		9 465	9 464	52 740	10 925	3 963	14 888	21 086	22 225	23 425
Corporate Services		14 414	19 828	5 409	9 696	2 156	11 852	14 166	14 931	15 738
Community services		29 452	36 311	18 429	14 566	1 253	15 819	16 490	17 381	18 319
Financial Services		13 081	13 557	19 376	30 087	34 821	64 909	58 970	62 155	65 511
INFRASTRUCTURAL ENGINEERING		34 805	56 436	56 598	33 498	904	34 401	25 426	26 799	28 247
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>109 939</b>	<b>149 261</b>	<b>165 149</b>	<b>113 803</b>	<b>43 194</b>	<b>156 997</b>	<b>153 611</b>	<b>161 906</b>	<b>170 649</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>3 161</b>	<b>59 856</b>	<b>6 825</b>	<b>47 672</b>	<b>(10 584)</b>	<b>37 088</b>	<b>12 138</b>	<b>24 216</b>	<b>33 986</b>

**Explanatory notes to MBRR 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.

**Table8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

EC137 Engcobo - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>											
Property rates	2	3 373	3 315	2 893	3 800	-	3 800	3 800	3 000	3 162	3 333
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	681	2 769	1 227	1 544	-	1 544	1 544	1 000	1 054	1 111
Service charges - sanitation revenue	2	-	-	778	834	-	834	834	1 000	1 054	1 111
Service charges - refuse revenue	2	-	-	700	700	-	700	700	1 000	1 054	1 111
Service charges - other											
Rental of facilities and equipment		105	124	177	194	30	224	224	298	314	331
Interest earned - external investments		1 291	2 231	2 267	1 700	500	2 200	2 200	3 000	3 162	3 333
Interest earned - outstanding debtors											
Dividends received											
Fines		67	59	35	100		100	100	40	42	44
Licences and permits		3 282	3 415	3 624	3 400		3 400	3 400	4 000	4 216	4 444
Agency services											
Transfers recognised - operational		82 150	121 169	105 008	90 982	2 470	93 452	93 452	107 544	137 959	139 633
Other revenue	2	6 901	54 204	433	333	1 775	2 130	2 130	9 064	9 553	10 069
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>97 850</b>	<b>187 286</b>	<b>117 142</b>	<b>103 586</b>	<b>4 775</b>	<b>108 383</b>	<b>108 383</b>	<b>129 946</b>	<b>161 570</b>	<b>164 519</b>
<b>Expenditure By Type</b>											
Employee related costs	2	21 029	27 683	34 651	36 373	1 781	38 154	38 154	42 203	44 482	46 884
Remuneration of councillors		6 624	9 131	9 116	10 041	100	10 141	10 141	11 971	12 618	13 299
Debt impairment	3			3 528	600	2 928	3 528	3 528	1 500	1 581	1 666
Depreciation & asset impairment	2	19 550	23 720	29 810	10 000	30 000	40 000	40 000	38 000	40 052	42 215
Finance charges		37	46								
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8			6 632	11 481	(327)	11 154	11 154	13 285	14 002	14 759
Contracted services											
Transfers and grants				2 168	3 000	141	3 141	3 141	3 000	3 162	3 333
Other expenditure	4, 5	62 652	88 585	12 900	42 308	8 571	50 879	50 879	43 652	46 011	48 495
Loss on disposal of PPE											
<b>Total Expenditure</b>		<b>109 891</b>	<b>149 165</b>	<b>98 805</b>	<b>113 803</b>	<b>43 194</b>	<b>156 997</b>	<b>156 997</b>	<b>153 611</b>	<b>161 907</b>	<b>170 650</b>
<b>Surplus/(Deficit)</b>		<b>(12 041)</b>	<b>38 121</b>	<b>18 337</b>	<b>(10 217)</b>	<b>(38 419)</b>	<b>(48 613)</b>	<b>(48 613)</b>	<b>(23 666)</b>	<b>(337)</b>	<b>(6 131)</b>
Transfers recognised - capital		15 250	21 830	54 832	38 909	27 749	66 658	66 658	35 804	37 639	42 215
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>3 209</b>	<b>59 951</b>	<b>73 168</b>	<b>28 693</b>	<b>(10 670)</b>	<b>18 045</b>	<b>18 045</b>	<b>12 138</b>	<b>37 302</b>	<b>36 084</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>3 209</b>	<b>59 951</b>	<b>73 168</b>	<b>28 693</b>	<b>(10 670)</b>	<b>18 045</b>	<b>18 045</b>	<b>12 138</b>	<b>37 302</b>	<b>36 084</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>3 209</b>	<b>59 951</b>	<b>73 168</b>	<b>28 693</b>	<b>(10 670)</b>	<b>18 045</b>	<b>18 045</b>	<b>12 138</b>	<b>37 302</b>	<b>36 084</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>3 209</b>	<b>59 951</b>	<b>73 168</b>	<b>28 693</b>	<b>(10 670)</b>	<b>18 045</b>	<b>18 045</b>	<b>12 138</b>	<b>37 302</b>	<b>36 084</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R175, Million in 2013/14 and escalates to R165, 7 Million by 2014/15. This represents a year-on-year decrease of 5.3% per cent for the 2013/14.
2. Revenue to be generated from property rates is R3 Million in the 2014/15 financial year.
3. Services charges relating to water, sanitation and refuse removal constitutes totaling R6 Million for the 2014/15 financial year. For the 2014/15 financial year services charges amount to 2, 3 per cent of the total revenue base.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government has grown rapidly by 15% per cent, 28 per cent and 1,2 for the two outer years.



## **1.6 CAPITAL BUDGET**

**Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.**

EC137 Engcobo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure - to be appropriated</b>	2										
Executive & Council		-	-	-	-	-	-	-	-	-	-
Municipal manager		-	-	-	-	-	-	-	-	-	-
Corporate Services		-	-	-	-	-	-	-	-	-	-
Community services		-	-	-	-	-	-	-	-	-	-
Financial Services		-	-	-	-	-	-	-	-	-	-
INFRASTRUCTURAL ENGINEERING		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure - to be appropriated</b>	2										
Executive & Council		-	-	-	-	-	-	350	369	389	
Municipal manager		6 668	486	-	360	(70)	290	290	1 528	1 611	
Corporate Services		-	-	319	650	(272)	378	378	74	78	
Community services		28 106	42 030	1 266	3 150	(1 154)	1 996	1 996	1 318	1 389	
Financial Services		-	10 517	40	400	130	530	520	548	578	
INFRASTRUCTURAL ENGINEERING		187 326	224 555	29 055	43 112	26 914	70 025	70 025	48 437	51 052	
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	
<b>Capital single-year expenditure sub-total</b>		222 100	277 588	30 681	47 672	25 548	73 220	73 220	49 595	52 273	
<b>Total Capital Expenditure - Vote</b>		222 100	277 588	30 681	47 672	25 548	73 220	73 220	49 595	52 273	
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		6 212	10 517	359	1 090	(142)	948	948	940	991	
Executive and council		6 212	-	40	40	-	40	40	350	369	
Budget and treasury office		-	10 517	40	400	130	530	520	548	578	
Corporate services		-	-	319	650	(272)	378	378	74	78	
<b>Community and public safety</b>		28 106	42 030	1 266	3 150	(1 154)	1 996	1 996	1 318	1 389	
Community and social services		28 106	42 030	1 266	3 150	(1 154)	1 996	1 996	1 318	1 389	
Sport and recreation		-	-	-	-	-	-	-	-	-	
Public safety		-	-	-	-	-	-	-	-	-	
Housing		-	-	-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	-	-	
<b>Economic and environmental services</b>		187 782	225 041	28 702	35 780	27 218	62 997	62 997	47 405	49 965	
Planning and development		456	486	320	320	(70)	250	250	1 450	1 611	
Road transport		187 326	224 555	28 702	35 460	27 288	62 747	62 747	45 955	48 437	
Environmental protection		-	-	-	-	-	-	-	-	-	
<b>Trading services</b>		-	-	353	7 652	(374)	7 278	7 278	-	-	
Electricity		-	-	-	-	-	-	-	-	-	
Water		-	-	353	7 652	(374)	7 278	7 278	-	-	
Waste water management		-	-	-	-	-	-	-	-	-	
Waste management		-	-	-	-	-	-	-	-	-	
<b>Other</b>		-	-	-	-	-	-	-	-	-	
<b>Total Capital Expenditure - Standard</b>	3	222 100	277 588	30 681	47 672	25 548	73 220	73 220	49 595	52 273	
<b>Funded by:</b>											
National Government		222 100	277 588	30 328	40 020	25 922	65 941	65 941	35 804	37 639	
Provincial Government		-	-	-	-	-	-	-	-	-	
District Municipality		-	-	353	7 652	(374)	7 278	7 278	-	-	
Other transfers and grants		-	-	-	-	-	-	-	-	-	
<b>Transfers recognised - capital</b>	4	222 100	277 588	30 681	47 672	25 548	73 220	73 220	35 804	37 639	
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-	
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	
Internally generated funds		-	-	-	-	-	-	13 791	14 634	15 882	
<b>Total Capital Funding</b>	7	222 100	277 588	30 681	47 672	25 548	73 220	73 220	49 595	52 273	

**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.
2. Single-year capital expenditure has been appropriated at R49 595 million for the 2014/15 financial year and remains relatively constant over the MTREF at levels of R52 273 million and R55 096 million respectively for the two outer years.
3. Single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment and roads. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from Municipal Infrastructure grant and internally generated funds.

**Table 10 MBRR Table A6 - Budgeted Financial Position**

EC137 Engcobo - Table A6 Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		1 859	3 306	3	3 630		3 630	3 630	4 677		
Call investment deposits	1	24 600	53 390	61 477	67 822	-	67 822	67 822	101 706	107 198	112 987
Consumer debtors	1	4 260	4 522	581	7 786	-	7 786	7 786	133	140	148
Other debtors					2 304		2 304	2 304			
Current portion of long-term receivables											
Inventory	2				350		350	350			
<b>Total current assets</b>		<b>30 718</b>	<b>61 217</b>	<b>62 061</b>	<b>81 892</b>	<b>-</b>	<b>81 892</b>	<b>81 892</b>	<b>106 517</b>	<b>107 339</b>	<b>113 135</b>
<b>Non current assets</b>											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	224 958	280 845	282 311	370 111	-	370 111	370 111	341 733	360 187	379 637
Agricultural											
Biological				174	259		259	259			
Intangible											
Other non-current assets											
<b>Total non current assets</b>		<b>224 958</b>	<b>280 845</b>	<b>282 485</b>	<b>370 370</b>	<b>-</b>	<b>370 370</b>	<b>370 370</b>	<b>341 733</b>	<b>360 187</b>	<b>379 637</b>
<b>TOTAL ASSETS</b>		<b>255 676</b>	<b>342 062</b>	<b>344 546</b>	<b>452 262</b>	<b>-</b>	<b>452 262</b>	<b>452 262</b>	<b>448 250</b>	<b>467 526</b>	<b>492 772</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	-	-	-	-	-	-	-	11 387	12 001	12 650
Provisions											
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 387</b>	<b>12 001</b>	<b>12 650</b>
<b>Non current liabilities</b>											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 387</b>	<b>12 001</b>	<b>12 650</b>
<b>NET ASSETS</b>	5	<b>255 676</b>	<b>342 062</b>	<b>344 546</b>	<b>452 262</b>	<b>-</b>	<b>452 262</b>	<b>452 262</b>	<b>436 863</b>	<b>455 524</b>	<b>480 122</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)											
Reserves	4	-	-	-	-	-	-	-	3 424	3 609	3 804
Minorities' interests											
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 424</b>	<b>3 609</b>	<b>3 804</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position.

Table 11 MBRR Table A7 - Budgeted Cash Flow Statement

EC137 Engcobo - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		18 132	13 426	9 867	30 883	1 818	32 702	32 702	22 402	42 774	26 920
Government - operating	1	104 059	164 033	105 008	89 982	2 542	92 524	92 524	107 544	136 855	138 501
Government - capital	1			54 832	38 909	27 749	66 658	66 658	35 804	37 639	39 214
Interest		1 291	2 231	2 267	1 700	500	2 200	2 200	3 000	3 162	3 333
Dividends						-	-	-			
<b>Payments</b>											
Suppliers and employees		(84 730)	(120 401)	(165 149)	(113 573)		(7 061)	(120 634)	(114 071)	(120 231)	(126 723)
Finance charges		(37)	(46)		(230)		-	(230)	(40)	(42)	(44)
Transfers and Grants	1										
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>38 715</b>	<b>59 243</b>	<b>6 825</b>	<b>47 672</b>	<b>32 609</b>	<b>187 022</b>	<b>73 220</b>	<b>54 638</b>	<b>100 157</b>	<b>81 200</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE				775							
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
<b>Payments</b>											
Capital assets		(25 635)	(28 923)	(65 211)	(47 672)	(25 548)	(73 220)	(73 220)	(49 595)	(52 273)	(55 096)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(25 635)</b>	<b>(28 923)</b>	<b>(64 435)</b>	<b>(47 672)</b>	<b>(25 548)</b>	<b>(73 220)</b>	<b>(73 220)</b>	<b>(49 595)</b>	<b>(52 273)</b>	<b>(55 096)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
<b>Payments</b>											
Repayment of borrowing											
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>13 081</b>	<b>30 320</b>	<b>(57 611)</b>	<b>(0)</b>	<b>7 061</b>	<b>113 803</b>	<b>-</b>	<b>5 043</b>	<b>47 884</b>	<b>26 104</b>
Cash/cash equivalents at the year begin:	2	26 441	39 522	69 842	61 480				101 706	106 750	154 633
Cash/cash equivalents at the year end:	2	39 522	69 842	12 231	61 480	7 061	113 803		106 750	154 633	180 738

**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.
3. It can be seen that the that the budget is fully funded as the municipality has a surplus of R 2 Million.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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

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

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

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality 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.

#### 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 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 28 August 2013. Key dates applicable to the process were:

KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE			
	Item description	Due Date	Responsible Person
	<b>Oct-13</b>		
	/ STEERING COMMITTEE MEETING: - review progress and baseline operating budget.	09-Oct-13	Chief Financial Officer
	Quarterly Reports July-Sept	10-Oct-13	

	Schedule individual meetings with Directorate to review baseline budget and work progress for completion of changes and supplemental requests	11-Oct-13	Chief Financial Officer	
	IDP/Budget Steering committee	22-Oct-13	Myeko	
	Analysis phase completed	22-Oct-13	Mahlasela	
	Review current tariffs, receive requested changes from directorates and prepare options for consideration	31-Oct-13	Chief Financial Officer , Accountant	



	<p>SUBMISSION OF BASELINE BUDGETS AND SUPPLEMENTAL REQUESTS FROM DIRECTORATES: Final date for submission of all Baseline Operating Budgets, Capital Budgets and Operational plans by Directorates to the budget office.</p>	31-Oct-13	Directorates	
STRATEGIES	<b>Nov-13</b>			
	<p>Draft report on proposed tariff changes for review to IDP/PMS/ Budget Steering Committee and review Implementation progress and report on gaps identified during the analysis phase</p>	06-Nov-13	Chief Financial Officer, Accountant	
	IGR Meeting	05-Nov-13		
	CHDM Technical IGR Meeting	14-Nov-13		
	CHDM IDP/PMS/Budget Rep Forum	28-Nov-13		
	IDP/Budget Rep Forum	29-Nov-13		

	Review of organizational structure		Mayor, Corporate Service Manager	
	Prepare first draft of operating and capital medium term budget based on baseline operating budgets submitted by directorates	28-Nov-13	Chief Financial Officer	
	Receive audited Financial Statements and Audit report from the Auditor-General for the 2012/13 financial year	29-Nov-13	Auditor-General	
<b>PROJECTS</b>	<b>Dec-13</b>			
	MAYORAL / STEERING COMMITTEE MEETING: - review progress, baseline budget report AND DRAFT TARRIFS and prepare for project phase	04-Dec-13	Chief Financial Officer	
	Ordinary Council meeting	11-Dec-13	Speaker	
	<b>Jan-14</b>			
	Sections and directorate meet to discuss strategies and objectives	07-10 January 2014	Managers	

	2 <sup>nd</sup> quarterly Reports (Oct-Dec)	03-Jan-14	IPED Manager	
	STEERING COMMITTEE MEETING: - review progress and DRAFT BUDGET	14-Jan-14		
	MAYORAL COMMITTEE MEETING: PRESENT MIDYEAR PERFORMANCE REPORT TO MAYORAL COMMITTEE: Final review of 2013/14 operating and capital budget for midyear adjustments to mayoral committee for approval to council and submission to the provincial and national treasury	21-Jan-14	Municipal Manager	
	SUBMISSION OF CAPITAL BUDGET REQUESTS FROM DIRECTORATES: Final date for submission of all Capital Budget plans by Directorates to the budget office.	20-Jan-14	All Managers	

	Departmental Strategic Planning Sessions	27-28-January 14			
	Council Meeting for Budget adjustment and SDBIP review	31-Jan-14			

**KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE**

	Item description	Due Date	Responsible Person
ALIGNMENT AND ADOPTION	<b>Feb-14</b>		
	STEERING COMMITTEE MEETING: - review progress and the DRAFT BUDGET.	03-Feb-14	
	IGR Meeting	04-Feb-14	
	IDP/Budget Rep Forum	05-Feb-14	
	Mid-Year Performance Report by Audit Committee	06-Feb-14	
	IDP Strategic planning workshop	24,25,26 &27 February 14	

	<b>Mar-14</b>		
	STEERING COMMITTEE MEETING: - review progress and DRAFT BUDGET.	06-Mar-14	
	IGR Meeting	04-Mar-14	Municipal Manager
	SDBIP performance indicators workshop and service delivery targets for 2014/15 for review.	11-Mar-14	
	MPAC Hearings on Annual Report	12-13 March 14	Directorates
	CHDM IDP Rep Forum	14-Mar-14	
	/ STEERING COMMITTEE MEETING: final draft operating and capital budget presented to Mayoral committee for review	19-Mar-14	Chief Financial Officer
	Executive committee meeting	20-Mar-14	
	COUNCIL MEETING: Council (after consideration of the 2012/2013 Annual Report) to adopt an Oversight Report.	25-Mar-14	Oversight Committee

	COUNCIL MEETING: Operating and Capital draft budget and IDP tabled to Council for consultation with the community	25-Mar-14	Mayor
	Submit to National Treasury, Provincial Treasury and the MEC responsible for Local Government the Annual Financial Statements, the 2012/13 annual and audit report and any corrective action taken in response to the findings of the audit report.	28-Mar-14	
	CHDM Draft IDP and Draft Budget published. Advertise for public comment (21days)	31-Mar-14	Administrative Director
	IDP/Budget roadshows - public hearings	7-16 March 14	
	Quarter 3 Performance reporting (Jan - March))	03-Mar-14	
	Quarter 3 Performance reporting assessment	10-11 April 14	

	(Jan - March))		
	Submit draft budgets in required form to NT, Provincial Treasury	10-Apr-14	Chief Financial Officer

KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE

	Item description	Due Date	Responsible Person
	Apr-14		
	IGR Meeting	8 April 14	
	Check with National, Provincial Governments and District Municipality for any adjustments to projected allocations for the next three years.	16-Apr-14	Chief Financial Officer
	Directorates are to provide a list of Capital Projects to be rolled over for inclusion in the 2014/15 Budget to the budget office and cash balances forward for grant projects.	30-Apr-14	Directorates
	Public meetings and consultation on IDP/ Budget	15- 29 April 2014	Speaker and Mayor
	<b>May-14</b>		

	IGR Meeting	06-May-14	
	MAYORAL IMBIZO	09-May-14	MAYOR
	Final Budgets prepared taking into consideration submissions made during consultation process	13-May-14	
	MEETING OF MAYORAL / STEERING COMMITTEE: Approval of FINAL operating and capital budget for presentation to the full council	14-May-14	
	CHDM Technical IGR	15-May-14	Chief Financial Officer
	CHDM IDP Rep Forum	19-May-14	
	Council Workshop on the Final IDP prior Adoption	21-May-14	
	COUNCIL MEETING: IDP & Budgets for 2014/15 thru 2015/16 adopted by Council along with the Mayor's budget address	30 May 14	Mayor, Finance MM
	<b>Jun-14</b>		



	The Service Delivery and Budget Implementation Plans (SDBIP) along with the annual performance agreements for the Municipal Manager and all managers directly responsible to the MM (based on the operational plans and IDP) is to be issued to the Mayor by the MM	13 June 14	Municipal Manager
	IDP & Annual Budget reports to National, Provincial Treasury and the District municipality.	13 June 14	Chief Financial Officer / MYEKO
	MAYORAL TO APPROVE SDBIP AND PERFORMANCE	26-Jun-14	MAYOR
	AGREEMENTS within 14 days after receiving them.	04-Jul-14	
	Quarter 4 Performance reporting (April - June))	10-11 July 14	

	Quarter 4 Performance reporting (April - June)		
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There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

## Legislation compliance status

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

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed permanently from December 2013.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.

**Municipal manager's quality certificate**

I ....., municipal manager of Engcobo, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Engcobo Local Municipality

Signature \_\_\_\_\_

Date \_\_\_\_\_