

ANNUAL BUDGET OF  
**ENGCOBO LOCAL  
MUNICIPALITY**

2014/15 TO 2016/17  
REVENUE AND EXPENDITURE  
FORECASTS

## Table of Contents

ANNEXURE .....	ERROR! BOOKMARK NOT DEFINED.
PART 1 – ANNUAL BUDGET .....	
1.1 MAYOR’S REPORT.....	4
1.2 COUNCIL RESOLUTIONS .....	6
1.3 EXECUTIVE SUMMARY .....	7
1.4 OPERATING REVENUE FRAMEWORK .....	8
1.5 OPERATING EXPENDITURE FRAMEWORK.....	11
1.6 CAPITAL EXPENDITURE .....	17
PART 2 – SUPPORTING DOCUMENTATION .....	
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	26
2.3 LEGISLATION COMPLIANCE STATUS .....	35
2.4 MUNICIPAL MANAGER’S QUALITY CERTIFICATE .....	36

## List of Tables

Table 1 Consolidated Overview of the 2014/15 MTREF .....	8
Table 2 Summary of revenue classified by main revenue source.....	9
Table 3 Operating Transfers and Grant Receipts .....	10
Table 4 Summary of operating expenditure by standard classification item .....	12
Table 5 Operational repairs and maintenance.....	13-14
Table 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification).....	15-17
Table 7 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....	18-19
Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) .....	19-20
Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	21-23
Table 10 MBRR Table A6 - Budgeted Financial Position .....	24-25
Table 11 MBRR Table A7 - Budgeted Cash Flow Statement .....	24-27

## 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		
FBS	Free basic services	MTREF	Medium-term Revenue and Expenditure Framework Regulator South Africa
GAMAP	Generally Accepted Municipal Accounting Practice		
GDP	Gross domestic product	NGO	Non-Governmental organisations
GFS	Government Financial Statistics	NKPIs	National Key Performance Indicators
GRAP	General Recognised Accounting Practice	OHS	Occupational Health and Safety
		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		
LED	Local Economic Development	SDBIP	Service Delivery Budget Implementation Plan
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act	SMME	Small Micro and Medium Enterprises

## 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 an annual budget,

I stand before you today to table the 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 an IDP which is a tool which gives guidance to the future plans of the municipality. Based on the 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 R350 000. 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 44% from prior year Budget. 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 R15 050 000 for heavy duty equipment, this will increase the number of roads constructed internally. The municipality has set aside R1 000 000 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 emphasis 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 Department of Minerals. 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. Employee Health & Wellness officer
- **Technical Department**
  1. Electrician
  2. PMU Manager
  3. Diesel Mechanic
- **Community Services Department**
  1. Community service clerk
  2. Assistant Manager community services

❖ 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 30 April 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 10 on page 25;
    - 1.2.2. Budgeted Cash Flows as contained in Table 11 on page 27
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
    - 1.2.4. Asset management as contained in Table A5 on page 23; 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 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 an 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 an IDP which is a tool which gives guidance to the future plans of the municipality. Based on the 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 R358 000. 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	153 899 147	186 816 151	191 129 698
Total Expenditure	156 996 645	173 779 897	183 127 612	192 977 403
Surplus/(Deficit)	<b>(48 613)</b>	<b>(19 881)</b>	<b>3 691</b>	<b>(1 848)</b>
Transfers recognised - capital	66 658	49 004	63 119	74 991
Surplus/(Deficit) for the year	<b>18 045</b>	<b>29 123</b>	<b>66 810</b>	<b>74 143</b>

Total operating revenue has grown by R153 899 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 R153 899 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 R173 780 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 R68 423 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	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	4,000	4,216	4,444
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	-	-	-
Service charges - sanitation revenue	2	-	-	778	834	-	834	834	-	-	-
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	3,500	3,689	3,888
Interest earned - outstanding debtors											
Dividends received											
Fines		67	59	35	100		100	100	100	105	111
Licences and permits		3,282	3,415	3,624	3,400		3,400	3,400	5,500	5,797	6,110
Agency services						108,212	136,885	138,501			
Transfers recognised - operational		82,150	121,169	105,008	90,982	2,470	93,452	93,452	108,212	137,959	139,633
Other revenue	2	6,901	54,204	433	333	1,775	2,130	2,130	31,289	33,684	35,502
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>112,987</b>	<b>245,268</b>	<b>246,884</b>	<b>153,899</b>	<b>186,818</b>	<b>191,130</b>
<b>Expenditure By Type</b>											
Employee related costs	2	21,029	27,683	34,651	36,373	1,781	38,154	38,154	49,161	51,815	54,613
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	1,650	1,739	1,833
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	12,435	13,106	13,814
Contracted services		-	-	-	-	-	-	-	7,400	7,800	8,221
Transfers and grants		-	-	2,168	3,000	141	3,141	3,141	2,000	2,108	2,222
Other expenditure	4, 5	62,652	88,585	12,900	42,308	8,571	50,879	50,879	51,163	53,889	56,760
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>173,780</b>	<b>183,128</b>	<b>192,977</b>
<b>Surplus/(Deficit)</b>		<b>(12,041)</b>	<b>38,121</b>	<b>18,337</b>	<b>(10,217)</b>	<b>69,793</b>	<b>88,272</b>	<b>89,888</b>	<b>(19,881)</b>	<b>3,691</b>	<b>(1,848)</b>
Transfers recognised - capital		15,250	21,830	54,832	38,909	27,749	66,658	66,658	49,004	63,119	74,991
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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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 an 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 refuse removal of R5 Million.

Property rates are the second largest revenue source totaling to R4 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 R108 212 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	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>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		48,947	68,419	78,402	90,044	-	90,044	108,212	138,663	140,375
Local Government Equitable Share		46,997	66,179	76,102	86,604		86,604	103,995	134,274	135,782
Finance Management		1,200	1,450	1,500	1,550		1,550	1,600	1,650	1,700
Municipal Systems Improvement		750	790	800	890		890	930	961	1,019
EPWP Incentive					1,000		1,000	1,687	1,778	1,874
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	19,218	-	-	-	29,074	30,644	32,298
CHDM GRANT				19,218				29,074	30,644	32,298
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	48,947	68,419	97,620	90,044	-	90,044	137,286	169,307	172,673
<b>Capital Transfers and Grants</b>										
National Government:		59,250	64,410	56,227	31,257	27,749	59,006	43,804	57,639	69,214
Municipal Infrastructure Grant (MIG)		15,250	20,410	26,227	31,257	27,749	59,006	35,804	37,639	39,214
Electrification		44,000	44,000	30,000				8,000	20,000	30,000
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
CHDM GRANT										
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	59,250	64,410	56,227	31,257	27,749	59,006	43,804	57,639	69,214
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		108,197	132,829	153,847	121,301	27,749	149,050	181,090	226,946	241,887

### 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):

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	4,000	4,216	4,444
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	-	-	-
Service charges - sanitation revenue	2	-	-	778	834	-	834	834	-	-	-
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	3,500	3,689	3,888
Interest earned - outstanding debtors											
Dividends received											
Fines		67	59	35	100		100	100	100	105	111
Licences and permits		3,282	3,415	3,624	3,400		3,400	3,400	5,500	5,797	6,110
Agency services						108,212	136,885	138,501			
Transfers recognised - operational		82,150	121,169	105,008	90,982	2,470	93,452	93,452	108,212	137,959	139,633
Other revenue	2	6,901	54,204	433	333	1,775	2,130	2,130	31,289	33,684	35,502
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>112,987</b>	<b>245,268</b>	<b>246,884</b>	<b>153,899</b>	<b>186,818</b>	<b>191,130</b>
<b>Expenditure By Type</b>											
Employee related costs	2	21,029	27,683	34,651	36,373	1,781	38,154	38,154	49,161	51,815	54,613
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	1,650	1,739	1,833
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	12,435	13,106	13,814
Contracted services									7,400	7,800	8,221
Transfers and grants				2,168	3,000	141	3,141	3,141	2,000	2,108	2,222
Other expenditure	4, 5	62,652	88,585	12,900	42,308	8,571	50,879	50,879	51,163	53,889	56,760
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>173,780</b>	<b>183,128</b>	<b>192,977</b>
<b>Surplus/(Deficit)</b>		<b>(12,041)</b>	<b>38,121</b>	<b>18,337</b>	<b>(10,217)</b>	<b>69,793</b>	<b>88,272</b>	<b>89,888</b>	<b>(19,881)</b>	<b>3,691</b>	<b>(1,848)</b>
Transfers recognised - capital		15,250	21,830	54,832	38,909	27,749	66,658	66,658	49,004	63,119	74,991
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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</b>

Table4 Summary of operating expenditure by standard classification item

The budgeted allocation for employee related costs for the 2014/15 financial year totals R61 132Million, 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**

EC137 Engcobo - Supporting Table SA34c Repairs and maintenance expenditure by asset class										
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>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		4,146	7,135	5,792	8,862	280	9,042	9,520	10,034	10,576
Infrastructure - Road transport		4,146	7,135	1,505	3,100	460	3,560	5,120	5,396	5,688
Roads, Pavements & Bridges		4,146	7,135	1,500	100	-	100	120	126	133
Storm water				5	3,000	460	3,460	5,000	5,270	5,555
Infrastructure - Electricity		-	-	280	300	(30)	170	250	264	278
Generation										
Transmission & Reticulation					100					
Street Lighting				280	200	(30)	170	250	264	278
Infrastructure - Water		-	-	3,782	4,200	-	4,200	4,150	4,374	4,610
Dams & Reservoirs				1,000						
Water purification				2,782						
Reticulation					4,200		4,200	4,150	4,374	4,610
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification										
Infrastructure - Other		-	-	225	1,262	(150)	1,112	-	-	-
Waste Management				160						
Transport	2									
Gas										
Other	3			65	1,262	(150)	1,112			
<b>Other assets</b>		-	-	3,461	3,119	(606)	2,512	2,915	3,072	3,238
General vehicles					1,320	80	1,400	165,000	173,910.00	183,301.14
Specialised	10	-	-	-	-	-	-	-	-	-
Plant & equipment				2,606	1,389	(899)	490	2,350	2,477	2,611
Computers - hardware/equipment				339	40	(39)	1	100	105	111
Furniture and other office equipment				40	100	100	200			
Abattoirs				-						
Markets				-						
Civic Land and Buildings				160	250	151	401			
Other Buildings				-				300	316	333
Other Land				-						
Surplus Assets - (Investment or Inventory)				-						
Other				316	20	-	20			
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Repairs</b>	<b>1</b>	<b>4,146</b>	<b>7,135</b>	<b>9,253</b>	<b>11,981</b>	<b>(327)</b>	<b>11,554</b>	<b>12,435</b>	<b>13,106</b>	<b>13,814</b>
<b>R&amp;M as a % of PPE</b>		<b>1.8%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>0.0%</b>	<b>3.1%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.6%</b>
<b>R&amp;M as % Operating Expen</b>		<b>3.8%</b>	<b>4.8%</b>	<b>9.4%</b>	<b>10.5%</b>	<b>-0.8%</b>	<b>7.4%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.2%</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>		37,243	105,445	98,600	96,152	2,248	98,400	122,981	154,229	156,782
Executive and council		-	-	-	6,108	-	6,108	-	-	-
Budget and treasury office		37,205	105,391	98,600	90,044	2,248	92,292	122,981	154,229	156,782
Corporate services		38	55	-	-	-	-	-	-	-
<i>Community and public safety</i>		3,837	4,230	4,320	4,854	119	4,973	-	-	-
Community and social services		3,837	4,230	4,320	4,854	119	4,973	-	-	-
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	42,849	45,064	47,040
Planning and development		2,154	1,105	1,200	350	2,495	2,845	7,000	7,378	7,776
Road transport		41,974	44,220	45,927	31,257	27,749	59,006	35,849	37,686	39,264
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		27,892	54,116	21,926	28,861	-	28,861	37,074	50,644	62,298
Electricity		-	-	-	-	-	-	8,000	20,000	30,000
Water		27,892	54,116	21,926	28,861	-	28,861	29,074	30,644	32,298
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	202,903	249,937	266,120
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		42,408	51,333	76,271	58,635	37,059	95,695	95,184	100,288	105,664
Executive and council		14,913	17,948	51,486	18,852	82	18,934	23,283	24,540	25,865
Budget and treasury office		13,081	13,557	19,376	30,087	34,821	64,909	58,405	61,523	64,806
Corporate services		14,414	19,828	5,409	9,696	2,156	11,852	13,496	14,225	14,993
<i>Community and public safety</i>		29,452	36,311	18,429	14,566	1,253	15,819	15,832	16,687	17,588
Community and social services		29,452	36,311	18,429	14,566	1,253	15,819	15,832	16,687	17,588
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	40,490	42,676	44,980
Planning and development		3,274	5,181	13,851	7,104	3,978	11,082	21,192	22,336	23,542
Road transport		34,779	27,833	11,352	14,072	(726)	13,346	19,298	20,340	21,438
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		26	28,603	45,246	19,425	1,630	21,055	22,274	23,476	24,744
Electricity		-	-	-	-	-	-	-	-	-
Water		26	28,603	45,246	19,425	1,630	21,055	22,274	23,476	24,744
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	173,780	183,128	192,977
<b>Surplus/(Deficit) for the year</b>		3,161	59,856	6,825	47,672	(10,584)	37,088	29,123	66,810	73,143



**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>	1									
Executive & Council		-	-	-	-	-	-	-	-	-
Municipal manager		2,154	1,105	1,200	6,458	2,495	8,953	7,000	7,378	7,776
Corporate Services		38	55	-	-	-	-	-	-	-
Community services		3,837	4,230	4,320	4,854	119	4,973	-	-	-
Financial Services		37,205	105,391	98,600	90,044	2,248	92,292	122,981	154,229	156,782
INFRASTRUCTURAL ENGINEERING		69,866	98,336	67,853	60,118	27,749	87,867	72,923	88,330	101,562
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>202,903</b>	<b>249,937</b>	<b>266,120</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Executive & Council		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	27,003	28,461	29,998
Corporate Services		14,414	19,828	5,409	9,696	2,156	11,852	13,496	14,225	14,993
Community services		29,452	36,311	18,429	14,566	1,253	15,819	15,832	16,687	17,588
Financial Services		13,081	13,557	19,376	30,087	34,821	64,909	58,405	61,523	64,806
INFRASTRUCTURAL ENGINEERING		34,805	56,436	56,598	33,498	904	34,401	41,572	43,816	46,183
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>173,780</b>	<b>183,128</b>	<b>192,977</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>29,123</b>	<b>66,810</b>	<b>73,143</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 organizational 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	4,000	4,216	4,444
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	-	-	-
Service charges - sanitation revenue	2	-	-	778	834	-	834	834	-	-	-
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	3,500	3,689	3,888
Interest earned - outstanding debtors											
Dividends received											
Fines		67	59	35	100		100	100	100	105	111
Licences and permits		3,282	3,415	3,624	3,400		3,400	3,400	5,500	5,797	6,110
Agency services						108,212	136,885	138,501			
Transfers recognised - operational		82,150	121,169	105,008	90,982	2,470	93,452	93,452	108,212	137,959	139,633
Other revenue	2	6,901	54,204	433	333	1,775	2,130	2,130	31,289	33,684	35,502
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>112,987</b>	<b>245,268</b>	<b>246,884</b>	<b>153,899</b>	<b>186,818</b>	<b>191,130</b>
<b>Expenditure By Type</b>											
Employee related costs	2	21,029	27,683	34,651	36,373	1,781	38,154	38,154	49,161	51,815	54,613
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	1,650	1,739	1,833
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	12,435	13,106	13,814
Contracted services		-	-	-	-	-	-	-	7,400	7,800	8,221
Transfers and grants		-	-	2,168	3,000	141	3,141	3,141	2,000	2,108	2,222
Other expenditure	4, 5	62,652	88,585	12,900	42,308	8,571	50,879	50,879	51,163	53,889	56,760
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>173,780</b>	<b>183,128</b>	<b>192,977</b>
<b>Surplus/(Deficit)</b>		<b>(12,041)</b>	<b>38,121</b>	<b>18,337</b>	<b>(10,217)</b>	<b>69,793</b>	<b>88,272</b>	<b>89,888</b>	<b>(19,881)</b>	<b>3,691</b>	<b>(1,848)</b>
Transfers recognised - capital		15,250	21,830	54,832	38,909	27,749	66,658	66,658	49,004	63,119	74,991
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</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>97,542</b>	<b>154,930</b>	<b>156,546</b>	<b>29,123</b>	<b>66,810</b>	<b>73,143</b>

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

1. Total revenue is R202 903, Million in 2013/14 and escalates to R165, 7 Million by 2014/15.
2. Revenue to be generated from property rates is R4 Million in the 2014/15 financial year.
3. Services charges relating to refuse removal constitutes totaling R1 Million for the 2014/15 financial year.
4. Transfers recognized – 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

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>											
<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	1,650	1,739	1,833
Corporate Services		-	-	319	650	(272)	378	378	70	74	78
Community services		28,106	42,030	1,266	3,150	(1,154)	1,996	1,996	1,250	1,318	1,389
Financial Services		-	10,517	40	400	130	530	530	170	179	189
INFRASTRUCTURAL ENGINEERING		187,326	224,555	29,055	43,112	26,914	70,025	70,025	64,933	80,008	93,248
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	68,423	83,686	97,125
<b>Total Capital Expenditure - Vote</b>		222,100	277,588	30,681	47,672	25,548	73,220	73,220	68,423	83,686	97,125
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		6,212	10,517	359	1,090	(142)	948	948	590	622	655
Executive and council		6,212	-	-	40	-	40	40	350	369	389
Budget and treasury office		-	10,517	40	400	130	530	530	170	179	189
Corporate services		-	-	319	650	(272)	378	378	70	74	78
<b>Community and public safety</b>		28,106	42,030	1,266	3,150	(1,154)	1,996	1,996	1,250	1,318	1,389
Community and social services		28,106	42,030	1,266	3,150	(1,154)	1,996	1,996	1,250	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	59,783	74,580	87,527
Planning and development		456	486	-	320	(70)	250	250	1,650	1,739	1,833
Road transport		187,326	224,555	28,702	35,460	27,288	62,747	62,747	58,133	72,840	85,694
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	353	7,652	(374)	7,278	7,278	6,800	7,167	7,554
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	353	7,652	(374)	7,278	7,278	6,800	7,167	7,554
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	68,423	83,686	97,125
<b>Funded by:</b>											
National Government		222,100	277,588	30,328	40,020	25,922	65,941	65,941	42,908	56,695	68,219
Provincial Government		-	-	353	7,652	(374)	7,278	7,278	6,800	7,167	7,554
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	222,100	277,588	30,681	47,672	25,548	73,220	73,220	49,708	63,862	75,773
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	18,715	19,824	21,352
Internally generated funds		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	222,100	277,588	30,681	47,672	25,548	73,220	73,220	68,423	83,686	97,125

**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 R68 423 million for the 2014/15 financial year and remains relatively constant over the MTREF at levels of R83 686 million and R97 125million 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, District municipality 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	4,930	5,196
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>112,269</b>	<b>118,331</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											
Intangible				174	259		259	259			
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>472,455</b>	<b>497,968</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	-	-	-	-	-	-	-	115,599	139,619	164,937
Provisions									11,387	12,001	12,650
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,985</b>	<b>151,621</b>	<b>177,586</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>126,985</b>	<b>151,621</b>	<b>177,586</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>321,265</b>	<b>320,835</b>	<b>320,382</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)					329,227		329,227	329,227	329,227	329,227	329,227
Reserves	4	-	-	-	-	-	-	-	3,424	3,609	3,804
Minorities' interests											
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>-</b>	<b>-</b>	<b>-</b>	<b>329,227</b>	<b>-</b>	<b>329,227</b>	<b>329,227</b>	<b>332,651</b>	<b>332,836</b>	<b>333,031</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>											
Ratespayers and other		18,132	13,426	9,867	30,883	1,818	32,702	32,702	42,187	45,169	47,608
Government - operating	1	104,059	164,033	105,008	89,982	2,542	92,524	92,524	108,212	137,959	139,633
Government - capital	1			54,832	38,909	27,749	66,658	66,658	49,004	63,119	74,991
Interest		1,291	2,231	2,267	1,700	500	2,200	2,200	3,500	3,689	3,888
Dividends											
<b>Payments</b>											
Suppliers and employees		(84,730)	(120,401)	(165,149)	(113,573)		(7,061)	(120,634)	(132,060)	(139,155)	(146,630)
Finance charges		(37)	(46)		(230)		-	(230)	(70)	(74)	(78)
Transfers and Grants	1								(2,000)	(2,108)	(2,222)
<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>68,773</b>	<b>108,600</b>	<b>117,191</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE											
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)	(68,423)	(83,686)	(97,125)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(25,635)</b>	<b>(28,923)</b>	<b>(65,211)</b>	<b>(47,672)</b>	<b>(25,548)</b>	<b>(73,220)</b>	<b>(73,220)</b>	<b>(68,423)</b>	<b>(83,686)</b>	<b>(97,125)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans											
Borrowing long term/refinancing						2,552	2,690	2,835			
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>2,552</b>	<b>2,690</b>	<b>2,835</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>13,081</b>	<b>30,320</b>	<b>(58,386)</b>	<b>(0)</b>	<b>9,614</b>	<b>116,493</b>	<b>2,835</b>	<b>350</b>	<b>24,914</b>	<b>20,066</b>
Cash/cash equivalents at the year begin:	2	26,441	39,522	69,842	61,480			-	59,337	59,687	84,601
Cash/cash equivalents at the year end:	2	39,522	69,842	11,456	61,480	9,614	116,493	2,835	59,687	84,601	104,666

## 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 budget is fully funded as the municipality has a surplus of R350 000.

## Part 2 – Supporting Documentation

### 1.1 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 \_\_\_\_\_