

ANNUAL BUDGET OF
**ENGCOBO LOCAL
MUNICIPALITY**

2015/16 TO 2017/18

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		
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 annual 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.

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges			2 866	2 773	4 000		4 000	4 000	4 000	4 220	4 444
Service charges		13 426	2 755	337	1 000		1 000	1 000	1 000	1 055	1 111
Other revenue		13 426	3 915	2 142	33 687	3 454	37 141	40 594	7 255	7 548	7 964
Government - operating	1	142 203	96 911	92 884	108 212		108 212	108 212	139 046	140 040	136 701
Government - capital	1	21 830	54 832	63 006	49 004	(5 200)	43 804	38 604	57 304	53 698	60 788
Interest		2 231	2 267	2 881	3 500		3 500	3 500	3 500	3 693	3 888
Dividends									-	-	-
Payments											
Suppliers and employees		(120 401)	(120 757)	(134 830)	(132 060)	15 652	(116 408)	(116 408)	(123 481)	(129 917)	(136 871)
Finance charges		(46)	(2)	(69)	(70)		(70)	(70)	-	-	-
Transfers and Grants	1				(2 000)		(2 000)	(2 000)	(3 000)	(3 165)	(3 333)
NET CASH FROM/(USED) OPERATING ACTIVITIES		72 669	42 788	29 125	65 273	13 906	79 179	77 432	85 624	77 172	74 692
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			980	197					-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(28 923)	(30 681)	(73 220)	(68 423)	(16 356)	(84 779)	(84 779)	(84 169)	(81 566)	(90 150)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(28 923)	(29 701)	(73 023)	(68 423)	(16 356)	(84 779)	(84 779)	(84 169)	(81 566)	(90 150)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		43 746	13 087	(43 898)	(3 150)	(2 450)	(5 600)	(7 347)	1 455	(4 394)	(15 458)
Cash/cash equivalents at the year begin:	2	26 458	61 480	49 211	49 211		49 211	49 211	49 211	50 666	46 272
Cash/cash equivalents at the year end:	2	70 205	74 567	5 313	46 061	(2 450)	43 610	41 864	50 666	46 272	30 813

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 R1 455 000. 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 put aside R11 000 000 for heavy duty equipment, this will increase the number of roads constructed internally. The municipality has set aside R2 000 000 for development of its employees; this will help to capacitate the employees on the areas where development is needed and R1 000 000 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, Wattle eradication project and EPWP program and other LED programs. The municipality has embarked on a program to fight HIV and AIDS through partnership with Health department.

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash Transfers to Groups of Individuals										
<i>Payments to Eskom for Free basic service & Kwazulu Energy for supply of solar</i>	2 306	2 168	3 141	2 000		2 000	2 000	3 000	3 165	3 333
Total Cash Transfers To Groups Of Individuals:	2 306	2 168	3 141	2 000	-	2 000	2 000	3 000	3 165	3 333
TOTAL CASH TRANSFERS AND GRANTS	2 306	2 168	3 141	2 000	-	2 000	2 000	3 000	3 165	3 333

The municipality continues to provide the free basic services (electricity & Solar) to indigent community.

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 2015/2016 financial year. As per Circular 74 the Following percentages were used to budget for employee cost.

5.8% Salary increase

2.5% notch increment.

Employee costs has been increased by 8.3%

1.2 Council Resolutions

On 31 April 2015 the Council of Engcobo Local Municipality met in the New Council Chambers consider the annual budget of the municipality for the financial year 2015/16. 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 2015/16 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. 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 75 (a) of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the Annual budget with effect from 1 July 2015.

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 R1 955 000. 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. 74 was used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarized as follows:

- Aging and poorly maintained roads.
- The need to prioritize projects and expenditure within low revenue base.
- 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 2015/16 MTREF:

- 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 2015/16 Medium-term Revenue and Expenditure Framework:

1.4 Table 1 Consolidated Overview of the 2014/15 MTREF

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.

Table 2 Summary of revenue classified by main revenue source

ENGCOBO LOCAL MUNICIPALITY Annual Budget and MTREF

2015/16

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	3 315	2 893	3 800	4 000	-	4 000	4 000	4 000	4 220	4 444
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	2 769	1 227	1 544	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	778	834	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	700	700	1 000	-	1 000	1 000	1 000	1 055	1 111
Service charges - other											
Rental of facilities and equipment		124	177	224	298		298	298	390	411	433
Interest earned - external investments		2 231	2 267	2 200	3 500		3 500	3 500	3 500	3 693	3 888
Interest earned - outstanding debtors											
Dividends received											
Fines		59	35	100	100		100	100	100	106	111
Licences and permits		3 415	3 623	3 400	5 500		5 500	5 500	5 500	5 805	5 110
Agency services											
Transfers recognised - operational		121 169	105 008	112 495	108 212		108 212	108 212	139 046	138 276	134 841
Other revenue	2	54 204	433	2 130	31 289	6 454	37 743	37 743	1 265	3 097	4 264
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		187 286	117 141	127 426	153 899	6 454	160 353	160 353	154 801	156 662	154 202
Expenditure By Type											
Employee related costs	2	27 683	28 975	37 928	49 161	(5 088)	44 073	44 073	46 324	48 830	51 334
Remuneration of councillors		9 131	10 337	10 897	11 971		11 971	11 971	13 055	13 815	14 634
Debt impairment	3	166	3 528	303	1 650	(150)	1 500	1 500	2 000	2 110	2 222
Depreciation & asset impairment	2	23 554	29 810	28 065	38 000	-	38 000	38 000	40 000	42 200	44 437
Finance charges		46	2	69							
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	7 135	5 273	4 178	12 435	(6 208)	6 227	6 227	7 135	7 527	7 930
Contracted services		-	-	-	-	-	-	-	4 550	4 800	5 059
Transfers and grants		2 306	2 168	3 141	2 000	-	2 000	2 000	3 000	3 165	3 333
Other expenditure	4, 5	79 143	60 700	62 905	58 563	(3 467)	55 096	41 495	51 917	54 773	57 729
Loss on disposal of PPE			22 218	27 675							
Total Expenditure		149 165	163 011	175 162	173 780	(14 912)	158 867	145 266	167 981	177 220	186 677
Surplus/(Deficit)		38 121	(45 870)	(47 735)	(19 881)	21 366	1 485	15 087	(13 180)	(20 559)	(32 475)
Transfers recognised - capital		21 830	52 313	66 572	49 004	(5 200)	43 804	43 804	57 304	53 698	60 788
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		59 951	6 443	18 837	29 123	16 166	45 289	58 891	44 124	33 139	28 313
Taxation											
Surplus/(Deficit) after taxation		59 951	6 443	18 837	29 123	16 166	45 289	58 891	44 124	33 139	28 313
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		59 951	6 443	18 837	29 123	16 166	45 289	58 891	44 124	33 139	28 313
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		59 951	6 443	18 837	29 123	16 166	45 289	58 891	44 124	33 139	28 313

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 2015/16 financial year, revenue from rates and refuse removal of R5 Million because of the low revenue collection rate the municipality decided not to increase the budget for these sources of income.

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.

Operating grants and transfers amount to R139 046 000 4 Million in the 2015/16 and R 57 304 000 for Capital Transfers financial year. Note that the year-on-year growth for the 2014/15 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

Choose name from list - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		68 419	78 402	90 044	108 212	-	108 212	139 046	138 276	134 841
Local Government Equitable Share		66 179	76 102	86 604	103 995		103 995	134 844	135 694	132 108
Local government financial management grant		1 450	1 500	1 550	1 600		1 600	1 600	1 625	1 700
Municipal systems improvements grant		790	800	890	930		930	930	957	1 033
Expanded public works programme integrated grant for municipalities				1 000	1 687		1 687	1 672		
District Municipality:		-	19 218	-	29 074	(29 074)	-	-	-	-
<i>CHDM GRANT</i>			19 218		29 074	(29 074)				
Total Operating Transfers and Grants	5	68 419	97 620	90 044	137 286	(29 074)	108 212	139 046	138 276	134 841
Capital Transfers and Grants										
National Government:		64 410	56 227	59 006	43 804	-	43 804	57 304	53 698	60 788
Municipal Infrastructure Grant (MIG)		20 410	26 227	59 006	35 804		35 804	37 304	38 698	40 788
Electrification		44 000	30 000		8 000		8 000	20 000	15 000	20 000
Provincial Government:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	64 410	56 227	59 006	43 804	-	43 804	57 304	53 698	60 788
TOTAL RECEIPTS OF TRANSFERS & GRANTS		132 829	153 847	149 050	181 090	(29 074)	152 016	196 350	191 974	195 629

1.5 Operating Expenditure Framework

The following table is a high level summary of the 2015/16 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
Revenue By Source											
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											
Total Revenue (excluding capital transfers and contributions)		97,850	187,286	117,142	103,586	112,987	245,268	246,884	153,899	186,818	191,130
Expenditure By Type											
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											
Total Expenditure		109,891	149,165	98,805	113,803	43,194	156,997	156,997	173,780	183,128	192,977
Surplus/(Deficit)		(12,041)	38,121	18,337	(10,217)	69,793	88,272	89,888	(19,881)	3,691	(1,848)
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											
Surplus/(Deficit) after capital transfers & contributions		3,209	59,951	73,168	28,693	97,542	154,930	156,546	29,123	66,810	73,143
Taxation											
Surplus/(Deficit) after taxation		3,209	59,951	73,168	28,693	97,542	154,930	156,546	29,123	66,810	73,143
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		3,209	59,951	73,168	28,693	97,542	154,930	156,546	29,123	66,810	73,143
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		3,209	59,951	73,168	28,693	97,542	154,930	156,546	29,123	66,810	73,143

Summary of operating expenditure by standard classification item

The budgeted allocation for employee related costs for the 2015/16 financial year totals R49 166 000 Million, which equals 35% per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 8.3per cent for the 2015/16 financial year, this include 5.8% as per circular 74 plus 2.5% Salary Notch Increment. An annual increase of 5.5 & 5.3 per cent has been included in the two outer years of the MTREF.

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 2015/16 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 2015/16 the appropriation against this group of expenditure has grown by 19 per cent (13 million) and continues to grow at 5.5 and 5.3 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 realized.

1.1.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2015/16 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

Choose name from list - Supporting Table SA34c Repairs and maintenance expenditure by asset class									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	7 135	1 416	1 672	9 520	(3 973)	5 547	3 250	3 429	610
Infrastructure - Road transport	7 135	647	753	5 120	70	5 190	3 000	3 165	333
<i>Roads, Pavements & Bridges</i>	7 135			120	70	190			
<i>Storm water</i>		647	753	5 000		5 000	3 000	3 165	333
Infrastructure - Electricity	-	366	397	250	107	357	250	264	278
<i>Generation</i>									
<i>Transmission & Reticulation</i>									
<i>Street Lighting</i>		366	397	250	107	357	250	264	278
Infrastructure - Water	-	402	523	-	-	-	-	-	-
<i>Dams & Reservoirs</i>		402	523						
Infrastructure - Other	-	-	-	4 150	(4 150)	-	-	-	-
<i>Other</i>				4 150	(4 150)	-			
Community	-	-	-	300	-	300	-	-	-
<i>Other</i>				300		300			
Other assets	-	3 857	2 506	2 615	(2 234)	381	3 885	4 099	7 320
General vehicles		2 838	1 565	165	-	165	800	844	890
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment				2 350	(2 288)	62	1 765	1 862	1 961
Computers - hardware/equipment				100	54	154	200	211	223
Furniture and other office equipment		458	363						
Other Buildings		561	578						
Other Land							100	106	111
Surplus Assets - (Investment or Inventory)									
Other							1 020	1 076	4 135
Total Repairs and Maintenance Expenditure	7 135	5 273	4 178	12 435	(6 207)	6 228	7 135	7 527	7 930
<i>R&M as a % of PPE</i>	2.5%	1.8%	1.4%	3.6%	0.0%	1.8%	2.0%	2.0%	2.0%
<i>R&M as % Operating Expenditure</i>	4.8%	3.2%	2.4%	7.2%	41.6%	3.9%	4.2%	4.2%	4.2%

During the compilation of the 2015/16 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 2015/16 financial year equates R7 137 000.

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

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard										
<i>Governance and administration</i>		105 445	66 220	66 684	121 981	30 327	152 308	93 729	95 045	93 937
Executive and council		-	37 088	41 399	-	-	-	38 527	38 770	37 745
Budget and treasury office		105 391	7 064	11 742	121 981	30 327	152 308	35 939	36 890	37 320
Corporate services		55	22 068	13 543	-	-	-	19 263	19 385	18 873
<i>Community and public safety</i>		4 230	2 792	4 558	-	-	-	19 873	20 028	19 551
Community and social services		4 230	292	608	-	-	-	19 873	20 028	19 551
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	2 500	3 950	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		45 325	76 375	99 569	42 849	-	42 849	77 503	79 232	80 391
Planning and development		1 105	3 496	3 319	7 000	-	7 000	19 263	19 385	18 873
Road transport		44 220	72 880	96 250	35 849	-	35 849	58 239	59 847	61 518
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		54 116	24 067	23 187	38 074	(29 074)	9 000	21 000	16 055	21 111
Electricity		-	-	-	8 000	-	8 000	20 000	15 000	20 000
Water		54 116	23 012	22 824	29 074	(29 074)	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	1 055	364	1 000	-	1 000	1 000	1 055	1 111
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	209 116	169 454	193 999	202 903	1 254	204 157	212 105	210 360	214 990
Expenditure - Standard										
<i>Governance and administration</i>		51 333	78 958	68 058	95 194	3 616	98 811	78 863	83 200	87 631
Executive and council		17 948	37 088	30 502	23 293	196	23 489	22 561	23 790	25 064
Budget and treasury office		13 557	19 802	18 964	58 405	2 056	60 461	47 602	50 232	52 883
Corporate services		19 828	22 068	18 592	13 496	1 364	14 861	8 700	9 179	9 683
<i>Community and public safety</i>		36 311	3 000	4 000	15 832	3 552	19 384	8 450	8 915	9 405
Community and social services		36 311	-	-	15 832	3 552	19 384	8 450	8 915	9 405
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	3 000	4 000	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		33 014	56 447	60 768	40 480	193	40 673	80 668	85 105	89 641
Planning and development		5 181	5 091	6 000	21 182	1 253	22 434	11 233	11 851	12 503
Road transport		27 833	51 356	54 768	19 298	(1 060)	18 238	69 435	73 254	77 139
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		28 507	24 606	42 335	22 274	(22 274)	(0)	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		28 507	24 606	42 335	22 274	(22 274)	(0)	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	149 165	163 011	175 162	173 780	(14 913)	158 867	167 981	177 220	186 677
Surplus/(Deficit) for the year		59 951	6 443	18 837	29 123	16 166	45 289	44 124	33 139	28 313

References

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)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote	1									
Executive & Council		-	20 815	22 807	-	-	-	19 263	19 385	18 873
Municipal manager		1 105	19 769	21 911	7 000	-	7 000	38 527	38 770	37 745
Corporate Services		55	22 068	13 543	-	-	-	19 263	19 385	18 873
Community services		4 230	2 792	4 558	1 000	-	1 000	20 873	21 083	20 662
Financial Services		105 391	8 985	12 106	121 981	30 327	152 308	35 939	36 890	37 320
INFRASTRUCTURAL ENGINEERING		98 336	95 026	119 073	72 923	(29 074)	43 849	78 239	74 847	81 518
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
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0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	209 116	169 454	193 998	202 903	1 254	204 157	212 105	210 360	214 990
Expenditure by Vote to be appropriated	1									
Executive & Council		13 665	20 815	11 910	18 391	(303)	18 088	20 651	21 775	22 942
Municipal manager		9 464	52 740	14 888	26 083	1 752	27 835	13 143	13 866	14 624
Corporate Services		19 828	5 409	11 852	13 496	1 364	14 861	8 700	9 179	9 683
Community services		36 311	18 429	15 819	15 832	3 552	19 384	8 450	8 915	9 405
Financial Services		13 557	19 376	64 909	58 405	2 056	60 461	47 602	50 232	52 883
INFRASTRUCTURAL ENGINEERING		56 340	46 243	55 785	41 572	(23 333)	18 238	69 435	73 254	77 139
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
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0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	149 165	163 011	175 162	173 780	(14 912)	158 867	167 981	177 220	186 677
Surplus/(Deficit) for the year	2	59 951	6 443	18 836	29 123	16 166	45 289	44 124	33 139	28 313

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)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	3 315	2 893	3 800	4 000	-	4 000	4 000	4 000	4 220	4 444
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	2 769	1 227	1 544	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	778	834	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	700	700	1 000	-	1 000	1 000	1 000	1 055	1 111
Service charges - other											
Rental of facilities and equipment		124	177	224	298		298	298	390	464	490
Interest earned - external investments		2 231	2 267	2 200	3 500		3 500	3 500	3 500	3 693	3 888
Interest earned - outstanding debtors											
Dividends received											
Fines		59	35	100	100		100	100	100	106	111
Licences and permits		3 415	3 623	3 400	5 500		5 500	5 500	5 500	5 803	6 122
Agency services											
Transfers recognised - operational		121 169	105 008	112 495	108 212		108 212	108 212	139 046	140 040	136 701
Other revenue	2	54 204	433	2 130	31 289	6 454	37 743	37 743	1 265	1 176	1 240
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		187 286	117 141	127 426	153 899	6 454	160 353	160 353	154 801	156 556	154 107
Expenditure By Type											
Employee related costs	2	27 683	28 975	37 928	49 161	(5 088)	44 073	44 073	46 324	49 286	51 901
Remuneration of councillors		9 131	10 337	10 897	11 971		11 971	11 971	13 055	13 003	13 692
Debt impairment	3	166	3 528	303	1 650	(150)	1 500	1 500	2 000	2 110	2 222
Depreciation & asset impairment	2	23 554	29 810	28 065	38 000	-	38 000	38 000	40 000	42 200	44 437
Finance charges		46	2	69							
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	7 135	5 273	4 178	12 435	(6 208)	6 227	6 227	7 135	7 527	7 930
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		2 306	2 168	3 141	2 000	-	2 000	2 000	3 000	3 165	3 333
Other expenditure	4, 5	79 143	60 700	62 905	58 563	(3 467)	55 096	41 495	57 467	60 627	63 902
Loss on disposal of PPE			22 218	27 675							
Total Expenditure		149 165	163 011	175 162	173 780	(14 912)	158 867	145 266	168 981	177 919	187 417
Surplus/(Deficit)		38 121	(45 870)	(47 735)	(19 881)	21 366	1 485	15 087	(14 180)	(21 363)	(33 311)
Transfers recognised - capital		21 830	52 313	66 572	49 004	(5 200)	43 804	43 804	57 304	53 698	60 788
Contributions recognised - capital											
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		59 951	6 443	18 837	29 123	16 166	45 289	58 891	43 124	32 335	27 477
Taxation											
Surplus/(Deficit) after taxation		59 951	6 443	18 837	29 123	16 166	45 289	58 891	43 124	32 335	27 477
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		59 951	6 443	18 837	29 123	16 166	45 289	58 891	43 124	32 335	27 477
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		59 951	6 443	18 837	29 123	16 166	45 289	58 891	43 124	32 335	27 477

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

1. Total revenue is R212 105 Million in 2014/16.
2. Revenue to be generated from property rates is R4 Million in the 2015/16 financial year.
3. Services charges relating to refuse removal constitutes totaling R1 Million for the 2015/16 financial year.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government.

1.6 CAPITAL BUDGET

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

Choose name from list - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Executive & Council		-	-	-	350	800	1 150	1 150	1 010	1 066	1 122
Municipal manager		1 428	-	290	1 650	430	2 080	2 080	3 300	3 007	3 172
Corporate Services		684	319	378	70	610	680	680	2 250	2 374	2 504
Community services		13 690	1 266	1 996	1 250	710	1 960	1 960	3 335	3 518	3 712
Financial Services		458	40	530	170	32	202	202	370	390	411
INFRASTRUCTURAL ENGINEERING		59 844	29 055	70 025	64 933	13 774	78 707	78 707	73 904	71 211	79 229
Capital single-year expenditure sub-total		76 104	30 681	73 220	68 423	16 356	84 779	84 779	84 169	81 566	90 150
Total Capital Expenditure - Vote		76 104	30 681	73 220	68 423	16 356	84 779	84 779	84 169	81 566	90 150
Capital Expenditure - Standard											
<i>Governance and administration</i>		1 142	359	948	590	1 442	2 032	2 032	3 800	4 009	4 226
Executive and council				40	350	800	1 150	1 150	1 180	1 245	1 311
Budget and treasury office		458	40	530	170	32	202	202	370	390	411
Corporate services		684	319	378	70	610	680	680	2 250	2 374	2 504
<i>Community and public safety</i>		13 690	1 266	1 996	1 250	710	1 960	1 960	3 335	3 518	3 712
Community and social services		13 690	1 266	1 996	1 250	710	1 960	1 960	3 335	3 518	3 712
<i>Economic and environmental services</i>		55 412	28 702	62 997	59 783	21 004	80 787	80 787	77 034	74 038	82 212
Planning and development		178		250	1 650	430	2 080	2 080	3 130	2 827	2 983
Road transport		55 234	28 702	62 747	58 133	20 574	78 707	78 707	73 904	71 211	79 229
<i>Trading services</i>		5 894	353	7 278	6 800	(6 800)	-	-	-	-	-
Water		4 610	353	7 278	6 800	(6 800)					
Waste management		1 284									
Total Capital Expenditure - Standard	3	76 104	30 681	73 220	68 423	16 356	84 779	84 779	84 169	81 566	90 150
Funded by:											
National Government		55 234	30 328	58 224	42 908	896	43 804	43 804	57 304	54 278	61 400
District Municipality		4 610	353	7 278	6 800	(6 800)					
Transfers recognised - capital	4	59 844	30 681	65 502	49 708	(5 904)	43 804	43 804	57 304	54 278	61 400
Internally generated funds		16 260		7 718	18 715	22 260	40 975	40 975	26 865	27 288	28 750
Total Capital Funding	7	76 104	30 681	73 220	68 423	16 356	84 779	84 779	84 169	81 566	90 150

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 R84 169million for the 2015/16 financial year and remains relatively constant over the MTREF at levels of R81 566million and R90 150million 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 programmes are funded from Municipal Infrastructure grant, Electrification grant and internally generated funds.

Table 10 MBRR Table A6 - Budgeted Financial Position

Choose name from list - Table A6 Budgeted Financial Position											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
ASSETS											
Current assets											
Cash		3	3		4 677		4 677	4 677	4	5	5
Call investment deposits	1	56 693	61 477	49 211	101 706	-	101 706	101 706	89 110	94 011	98 994
Consumer debtors	1	6 705	1 321	3 291	-	-	-	-	9 617	10 146	10 683
Other debtors		4 499	101	4 522	133		133	133		-	-
Inventory	2	332	1 094	762					1 094	1 154	1 215
Total current assets		68 232	63 995	57 786	106 517	-	106 517	106 517	99 825	105 315	110 897
Property, plant and equipment	3	280 845	287 425	292 975	341 733	-	341 733	341 733	348 521	367 689	387 177
Intangible		271	174	393							
Total non current assets		281 116	287 598	293 368	341 733	-	341 733	341 733	348 521	367 689	387 177
TOTAL ASSETS		349 348	351 594	351 154	448 250	-	448 250	448 250	448 346	473 005	498 074
Consumer deposits									501	529	557
Trade and other payables	4	48 749	41 717	22 219	104 212	-	104 212	104 212	77 929	82 216	86 573
Provisions		1 924	2 049	2 271	11 387		11 387	11 387	50 758	53 549	56 387
Total current liabilities		50 672	43 766	24 490	115 599	-	115 599	115 599	129 188	136 293	143 517
TOTAL LIABILITIES		50 672	43 766	24 490	115 599	-	115 599	115 599	129 188	136 293	143 517
NET ASSETS	5	298 676	307 827	326 664	332 651	-	332 651	332 651	319 158	336 711	354 557
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		295 251	304 403	323 240	332 651		332 651	332 651	315 733	333 099	350 753
Reserves	4	3 424	3 424	3 424	-	-	-	-	3 424	3 613	3 804
TOTAL COMMUNITY WEALTH/EQUITY	5	298 676	307 827	326 664	332 651	-	332 651	332 651	319 158	336 711	354 557

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

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges			2 866	2 773	4 000		4 000	4 000	4 000	4 220	4 444
Service charges		13 426	2 755	337	1 000		1 000	1 000	1 000	1 055	1 111
Other revenue		13 426	3 915	2 142	33 687	3 454	37 141	40 594	7 255	9 419	9 918
Government - operating	1	142 203	96 911	92 884	108 212		108 212	108 212	139 046	138 276	134 841
Government - capital	1	21 830	54 832	63 006	49 004	(5 200)	43 804	38 604	57 304	53 698	60 788
Interest		2 231	2 267	2 881	3 500		3 500	3 500	3 500	3 693	3 888
Dividends									-	-	-
Payments											
Suppliers and employees		(120 401)	(120 757)	(134 830)	(132 060)	15 652	(116 408)	(116 408)	(122 981)	(129 745)	(136 686)
Finance charges		(46)	(2)	(69)	(70)		(70)	(70)	-	-	-
Transfers and Grants	1				(2 000)		(2 000)	(2 000)	(3 000)	(3 165)	(3 333)
NET CASH FROM/(USED) OPERATING ACTIVITIES		72 669	42 788	29 125	65 273	13 906	79 179	77 432	86 124	77 451	74 971
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			980	197					-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(28 923)	(30 681)	(73 220)	(68 423)	(16 356)	(84 779)	(84 779)	(84 169)	(81 566)	(90 150)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(28 923)	(29 701)	(73 023)	(68 423)	(16 356)	(84 779)	(84 779)	(84 169)	(81 566)	(90 150)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		43 746	13 087	(43 898)	(3 150)	(2 450)	(5 600)	(7 347)	1 955	(4 115)	(15 179)
Cash/cash equivalents at the year begin:	2	26 458	61 480	49 211	49 211		49 211	49 211	49 211	51 166	47 051
Cash/cash equivalents at the year end:	2	70 205	74 567	5 313	46 061	(2 450)	43 610	41 864	51 166	47 051	31 872

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 R1 955 000.

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 2014) 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 2014. Key dates applicable to the process were:

KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE			
	Item description	Due Date	Responsible Person
	Oct-13		
	/ STEERING COMMITTEE MEETING: - review progress and baseline operating budget.	09-Oct-15	Chief Financial Officer

	Quarterly Reports July-Sept	10-Oct-15		
	Schedule individual meetings with Directorate to review baseline budget and work progress for completion of changes and supplemental requests	11-Oct-15	Chief Financial Officer	
	IDP/Budget Steering committee	22-Oct-15	Myeko	
	Analysis phase completed	22-Oct-15	Mahlasela	
	Review current tariffs, receive requested changes from directorates and prepare options for consideration	31-February-15	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-February-15	Directorates	
STRATEGIES	September-15			
	<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-March-15	Chief Financial Officer, Accountant	
	IGR Meeting	05-Nov-15		
	IDP/PMS/Budget Rep Forum	07-March-15		
	IDP/Budget Rep Forum	29-Nov-15		

	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	31-February-15	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	
PROJECTS	Dec-13			
	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	
	Jan-14			
	Sections and directorate meet to discuss strategies and	07-10 January 2014	Managers	

	objectives			
	2 nd 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	20-Jan-14	All Managers	

	the budget office.			
	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	Feb-15		
		STEERING COMMITTEE MEETING: - review progress and the DRAFT BUDGET.	03-Feb-15	
		IGR Meeting	04-Feb-15	
		IDP/Budget Rep Forum	05-Feb-15	
		Mid-Year Performance Report by Audit Committee	06-Feb-15	

	IDP Strategic planning workshop	24,25,26 &27 February 15	
	Mar-15		
	STEERING COMMITTEE MEETING: - review progress and DRAFT BUDGET.	06-Mar-15	
	IGR Meeting	04-Mar-15	Municipal Manager
	SDBIP performance indicators workshop and service delivery targets for 2014/15 for review.	11-Mar-15	
	MPAC Hearings on Annual Report	12-13 March 15	Directorates
	CHDM IDP Rep Forum	14-Mar-15	
	/ STEERING COMMITTEE MEETING: final operating and capital budget presented to Mayoral committee for review	19-Mar-15	Chief Financial Officer
	Executive committee meeting	20-Mar-15	

	COUNCIL MEETING: Council (after consideration of the 2013/2014 Annual Report) to adopt an Oversight Report.	25-Mar-15	Oversight Committee
	COUNCIL MEETING: Operating and Capital budget and IDP tabled to Council for consultation with the community	25-Mar-15	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-15	
	CHDM IDP and Annual Budget published. Advertise for public comment (21days)	31-Mar-15	Administrative Director
	IDP/Budget roadshows - public hearings	7-16 March 15	
		03-Mar-	

	Quarter 3 Performance reporting (Jan - March))	15	
	Quarter 3 Performance reporting assessment (Jan - March))	10-11 April 15	
	Submit annual budgets in required form to NT, Provincial Treasury	10-Apr-15	Chief Financial Officer

KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE

	Item description	Due Date	Responsible Person
	Apr-15		
	IGR Meeting	8 April 15	
	Check with National, Provincial Governments and District Municipality for any adjustments to projected allocations for the next three years.	16-Apr-15	Chief Financial Officer
	Directorates are to provide a list of Capital Projects to be rolled over for inclusion in the 2015/16 Budget	30-Apr-15	Directorates

	to the budget office and cash balances forward for grant projects.		
	Public meetings and consultation on IDP/ Budget	15- 29 April 2015	Speaker and Mayor
	May-15		
	IGR Meeting	06-May-15	
	MAYORAL IMBIZO	09-May-15	MAYOR
	Final Budgets prepared taking into consideration submissions made during consultation process	13-May-15	
	MEETING OF MAYORAL / STEERING COMMITTEE: Approval of FINAL operating and capital budget for presentation to the full council	14-May-15	
	CHDM Technical IGR	15-May-15	Chief Financial Officer
	CHDM IDP Rep Forum	19-May-15	
	Council Workshop on the Final IDP prior Adoption	21-May-15	

	COUNCIL MEETING: IDP & Budgets for 2014/15 thru 2015/16 adopted by Council along with the Mayor's budget address	30 May 15	Mayor, Finance MM
	Jun-16		
	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 15	Municipal Manager
	IDP & Annual Budget reports to National, Provincial Treasury and the District municipality.	13 June 16	Chief Financial Officer / MYEKO
	MAYORAL TO APPROVE SDBIP AND PERFORMANCE	26-Jun-16	MAYOR
	AGREEMENTS within 14 days after receiving them.	04-Jul-16	

	Quarter 4 Performance reporting (April - June))	10-11 July 16	
	Quarter 4 Performance reporting (April - June)		

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 final stage and will be finalised after approval of the 2015/16 MTREF in May 2015.
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 _____