

DRAFT ANNUAL BUDGET 2020/21 FINANCIAL YEAR (2020/21)

(EC 19-03-2020, C 27-03- 2020)

(5/1/1)

REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL OFFICER, MS. P.M. MAKHUBELA

STRATEGIC OBJECTIVE

The strategic objective of this matter is under sound financial management and viability.

PURPOSE

The Draft operational and capital Estimates/Budget for the 2020/2021 financial year are brought to Council for discussion and approval.

BACKGROUND

In terms of Local Government Municipal Finance Management Act, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

The budget process is guided by National Treasury Circular (MFMA Circular No.98 and 99).

FINANCIAL IMPLICATIONS

The Revenue and Expenditure Budgets are summarized as follows:

CONSOLIDATED BUDGET: GREATER TZANEEN MUNICIPALITY AND GTEDA, INCLUDING WATER AND SEWER SERVICES

The total revenue for the 2020/2021 financial year amounts to R1,493 billion, which represents an increase of R66 million over the 2019/2020 financial year special adjusted budget. This increase is mainly due to the increase in property rates, service charges and external grants from Government.

The total revenue budget includes an amount of R414 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R155 million will be levied by way of property tax and R675 million will be sourced from user charges. National allocations to fund operational activities amount to R24,1 million which includes the Finance Management Grant of R2,0 million, the EPWP grant of R7,1 million and the INEP allocation of R15 million

An amount of R1, 363 Billion has been made available on the operational budget for expenditure. This substantial increase is largely due to the increase in salaries and bulk purchases. The Expenditure amount includes R379 million for salaries, R66 million for repairs and maintenance excluding labour costs and R415 million for the purchase of bulk electricity and water.

An amount of R129 million has been allocated for capital expenditure for the 2020/2021 financial year. This amount includes the MIG allocation of R88, 9 million which will be spend on roads and storm water drainage systems. Capital from loans amount to R22 million.

The summary of the operating and capital budgets are as follows:

OPERATING AND CAPITAL EXPENDITURE BUDGET	2019/2020 FINAL SPECIAL ADJUSTED BUDGET	2020/2021 DRAFT BUDGET	2021/2022 DRAFT BUDGET	2022/2023 DRAFT BUDGET
TOTAL OPERATING REVENUE	1 426 301 852	1 492 904 434	1 571 197 746	1 652 389 466
TOTAL OPERATING EXPENDITURE	1 295 468 913	1 362 599 620	1 407 045 397	1 469 424 222
TOTAL CAPITAL EXPENDITURE	142 332 525	129 173 050	106 148 700	112 325 232
TOTAL OPEX AND CAPEX BUDGET	1 437 801 438	1 491 772 670	1 513 194 097	1 581 749 454

The increase in operating revenue is mainly attributable to an increase in grant allocations, tariff increase as well as a slight growth in the supplementary valuation to include new developments and rezoning. The operating expenditure increase is mainly attributable to the annual increase that is linked to CPI and the increase in bulk electricity cost.

The total grant allocations for Greater Tzaneen Municipality in the 2020/2021 financial year in line with DORA are reflected below:

MUNICIPAL GRANTS FOR 2020/21			
Description	2020/2021	2021/2022	2022/2023 Estimates
EQUITABLE SHARE	413 949 000	446 738 000	475 585 000
MIG	93 619 000	101 926 000	108 004 000
FMG	2 000 000	2 100 000	2 100 000
EPWP	7 134 000	0	0
INEP	15 000 000	15 000 000	15 000 000
TOTAL	531 702 000	565 764 000	600 689 000

CAPITAL EXPENDITURE

PROPOSED TARIFF INCREASES

Proposed tariff increase on service charges are as follows:

CATEGORY	2020/2021	2021/2022	2022/2023
Property Rates	4.5%	4.6%	4.6%
Electricity	8.1%	5.2%	8.9%
Refuse	4.5%	4.6%	4.6%
Water Haenertsburg	4.5%	4.6%	4.6%
Water (Other users)	65%	4.6%	4.6%
Sewerage	4.5%	4.6%	4.6%

GENERAL EXPENSES

General expense has been provided for at R1, 363 billion in the 2020/2021 financial year operational estimates.

SALARIES, WAGES AND ALLOWANCES

The total salary bill to the amount of R379 million includes the budgeted positions to be filled during the 2020/2021 financial year. The positions will be filled through the process of service delivery priorities and the approved municipal organogram.

BUDGET RELATED POLICIES

The following budget related policies are attached to this document for approval by Council as part of the 2020/2021 budget–

Revenue Related Policies

- Tariff Policy
 - Electricity
 - Water
 - Sanitation
 - Refuse Removal
 - Property Rates
- Credit Control & Debt Collection
- Consumer Deposits
- Cash Control Policy
- Impairment of debt policy

Budget related

- Budget Implementation and Management Policy
- Indigent Policy
- Supply Chain Management
- Property Rates Policy

- Cash Management and Investment Policy
- Virement Policy
- Adjustment Budget Policy
- Preferential Procurement Policy
- Borrowing Policy
- Funding and Reserves Policy
- Policy Relating to Long-Term Financial Planning
- Policy Relating to Management and Disposal of Assets
- Policy dealing with Infrastructure Investment and Capital Projects
- Subsistence and Travelling policy
- Cost containment policy

POLICY IMPLICATIONS

Compliance to section 22 of the Municipal Finance Management Act, the budget must be submitted to National Treasury and the Provincial Treasury together with the quality certificate approved by the accounting officer.

LEGAL IMPLICATIONS

Currently None

RISK IMPLICATIONS

Non adherence to MFMA if council does not approve the budget timeously.

ENVIRONMENTAL IMPLICATIONS

None

CHANGE MANAGEMENT IMPLICATIONS

Ensure compliance to MFMA and timely submission of draft budget on schedule A, version 6.4 in line with Municipal Budget and Reporting Regulations

CONSIDERATION

That the Capital and Operational Estimates for the 2020/2021 financial year be approved and that the Accounting Officer proceeds with the publication of the Final Annual Budget as purposed in section 22 of the Municipal Finance Management Act 56 of 2003

RECOMMENDATION

1. That the Capital and Operational Estimates for the 2020/2021 financial year as more fully recorded in **Annexure A - T** attached to the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as purposed in section 22 of the Municipal Finance Management Act 56 of 2003.
2. That the following 2020/2021 to 2022/2023 financial year's budget related policies be approved as more fully set out in **Part 2 of supporting documents in the budget**
3. That the Final 2020/2021 tariff listing for municipal services be approved
4. That it be noted that the draft 2020/2021 Estimates will after approval by the Council in terms of section 22 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury, together with the quality certificate approved by the accounting officer.
5. That Council takes note of the procurement plan as part of Annexure V.
6. That an amount of R8 961 106.41 be allocated to GTEDA Municipal entity
7. That the budget resolutions contained in the budget report be approved

COMMENTS FROM CORPORATE SERVICES

COMMENTS FROM ENGINEERING SERVICES

COMMENTS FROM ELECTRICAL ENGINEERING

COMMENTS FROM PED

COMMENTS FROM COMMUNITY SERVICES

COMMENTS FROM THE CFO

COMMENTS FROM THE MUNICIPAL MANAGER

RESOLVED TO RECOMMEND

1. That the Capital and Operational Estimates for the 2020/2021 financial year as more fully recorded in **Annexure A - T** attached to the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as purposed in section 22 of the Municipal Finance Management Act 56 of 2003.
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FOR CONSIDERATION

