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**GREATER TZANEEN MUNICIPALITY  
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MASIPALA WA TZANEEN  
MASEPALA WA TZANEEN**

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Tropiese Paradys



Tropical Paradise

## **BUDGET STEERING COMMITTEE MEETING**

**MINUTES OF THE ABOVEMENTIONED COMMITTEE MEETING WHICH WAS HELD ON THURSDAY THE 21<sup>TH</sup> JANUARY 2021 AT 10H00 IN TZANEEN VIRTUAL.**

### **1. OPENING AND WELCOME**

Director CW Molokomme opened the meeting with a prayer and the Mayor, Councillor MG Mangena welcomed everyone present in the meeting during this difficult time, he further thanked everybody for putting everybody who is sick due to the Covid-19 virus in prayers.

The Mayor wishes the Speaker for speedy recovery.

The Mayor indicated that the last pandemic was in 1918 world-wild where there was a Spanish flu where many people were died and currently the world is facing the Coronavirus and the Country is in a difficult situation and things are bad, people are dying.

The Local Command Council is meeting every Monday to deal with the pandemic issues and to strengthen Ward Councillors and Ward Committees to continue with awareness in their communities.

The Mayor, Councillor MG Mangena announced the passing away of Councillor Anna Sono from Mopani District Municipality and Patrick Mazumba from Ba-Phalaborwa due to Covid-19.

A prayer was conducted to all people who are infected and those who passed on due to this pandemic.

A moment of silence was observed.

The Mayor, Councillor MG Mangena indicated that while Council prepare an exit report, the report should speak to the reality that the municipality is facing.

He further indicated that President Cyril Ramaphosa indicated that the financial status of the Country is bad, the Country has no money.

## 2. ATTENDANCE REGISTER AND APOLOGIES

**PRESENT:** - As per the attendance Register (See Annexure "A")

**APOLOGIES:** -

- The Speaker, Councillor DJ Mmetle
- The Chief Whip, Councillor CS Nhemo

## 3. NEW MATTERS

The Municipal Manager, Mr BS Matlala reported that this is the first meeting to focus on the framework on how the municipality will proceed.

He further indicated that the process will began to prepare for adoption of the draft budget by end of February 2021 and to prepare final budget for the financial year 2021-2022 and be adopted by end of May 2021.

### 3.1 MFMA Municipal Budget Circular 107.

The Chief Financial Officer, Miss. Palesa Makhubela advised that the Budget Circular no. 107 must be taken note off and all the requirements by National Treasury must be adhered to. The Chief Financial Officer, Miss. Palesa Makhubela then highlighted the following requirements of the Circular:

#### BUDGET INFORMATION

"National Treasury, together with the Provincial Treasuries, will undertake a compliance check on the data strings submitted and will analyse the supporting data strings and, where Municipalities have not provided complete supporting information, the Municipal budget will be returned to the Mayors and Municipal Managers of the affected Municipalities for the necessary corrections.

**The National Treasury advised that where Municipalities have not adhered to the Municipal Budget and Reporting Regulations, they will be required to go back to the Municipal Council and table a complete budget document aligned to the requirement of the Municipal budget and Reporting Regulations. In addition, where Municipalities have adopted an unfunded budget, they will be required to correct the budget to ensure it adopt and implement a funded budget."**

## **REVENUE AND EXPENDITURE BUDGET**

*“There is a need for Municipalities to focus on collecting revenues owed to them, and eliminate wasteful and non-core spending. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.”*

### **TABLING OF FUNDED BUDGETS**

*Reference is made to MFMA Circular No.93, item 3.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2021/2022 MTREF budgets from realistically anticipated revenue to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.”*

### **BUDGET – DATES**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that the dates in the Draft Budget and the IDP, PMS process plan may change due to the fact that National Treasury informed municipalities that the *mSCOA reporting requirements state that a budget must be locked into the financial system by latest 30 June before the start of the new municipal financial year, in the previous timeframe provided, there was no opportunity to evaluate the adopted budget to be funded and complete BEFORE the start of the municipal financial year. The traditional verification period from July to September can no longer be applied as the municipalities are already transacting against the adopted and locked budget. Amending an unfunded and incomplete budget in an adjusted budget is also not the solution as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes.*

The verification period of all municipal budget will therefore be brought forward to the period 31 May to 30 June. In this one-month period, the National and provincial treasuries will be required to evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July.

She also presented the budget process documents which was distributed to all departments.

### **BUDGET – RISKS**

- Tariffs to be approved before 1 July 2021.
- Budget (2021/2022) to be tabled to Council before the end of May 2021.
- Budget to be approved before start of the financial year by the 30 June 2021.
- IDP, Budget and PMS must be aligned.

## **ADJUSTMENT BUDGET**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that only one Adjustment budget is allowed, after January 2021 not later than the end of February 2021.

She also indicated that the Adjustment Budget MSCOA Data Strings must be submitted to Provincial Treasury by the 15<sup>th</sup> of February 2021.

## **INFLATION FORECAST**

The Macro-Economic Forecast by National Treasury are as follows:

2019/2020	-	4.1%	Actual
2020/2021	-	3.2%	Estimate
2021/2022	-	4.1%	Forecast
2022/2023	-	4.4%	Forecast
2023/2024	-	4.5%	Forecast

## **COVID-19 SECOND WAVE**

The Chief Financial Officer, Miss. Palesa Makhubela advised that the country is still in lockdown level three with certain restrictions that are imposed on all South Africans since the total lock down on 27 March 2020. Certain sectors like the tourism industry have collapsed, many businesses have closed, some state owned enterprises have indicated that they are in financial distress, and Municipalities reported a drastic decrease in the collection of outstanding debt. Stats S.A. reported job losses of approximately two million people, this is confirmation that we are currently in an economic crisis. To curb the effect of this crises on our Municipality it is advised that:

- The collection of outstanding debt be given special attention.
- That expenses be kept within available cash and not based on the budgeted amount.
- That revenue generating projects be prioritized.

## **LOCAL GOVERNMENT ELECTIONS**

The date for the Local Government Elections has not been determined yet, but it is scheduled to take place during 2021. The fact that the election date has not been

determined causes confusion on the responsibility to approve the IDP and Budget. To ensure that approved tariffs are in place on 1 July 2021 National Treasury advised as follows:

- The current Municipal Leadership is responsible for the drafting of the 2021/2022 MTREF and expenditure appropriations must be prioritized and aligned to the Policy intent as described in the Municipalities Integrated Development Plan (IDP).
- If the elections take place after the start of the financial year, the outgoing Council will be responsible for approving the budget and tariffs for the 2021/2022 MTREF and the newly elected Council for the implementation thereof.
- According to section 16 of the MFMA, a Municipal Council must approve the Municipalities Annual Budget before the start of the Financial Year, failure to comply, Provincial Treasury must in terms of Section 26 of the MFMA intervene, the intervention includes dissolving the Municipal Council.

### **APPROVAL OF TARIFFS**

The Chief Financial Officer, Miss. Palesa Makhubela informs the meeting that Section 3 of MFMA Circular 107 provides that tariffs may only be implemented from the start of the Municipal financial year, 1 July. This implies that the Council must approve the relevant tariffs as part of the MTREF budget before the commencement of the financial year on 1 July.

### **PROPERTY RATES**

The categorisation framework on Municipal property rates must be implemented not later than 1 July 2021.

### **NT AUDITS**

The Chief Financial Officer, Miss. Palesa Makhubela informed the committee that National Treasury will conduct independent audit on all financial systems in 2021 to determine if the systems comply with the minimum specifications required by mSCOA. Until these audits have been concluded and results have been released, Municipalities should exercise caution when changing their financial system to avoid purchasing a system that does not comply with the necessary mSCOA functionality requirements.

### **NON-COMPLIANCE WITH mSCOA**

Municipalities who have not yet achieved the required level of mSCOA implementation, must provide a detailed action plan (road map) to the National and respective Provincial Treasury to indicate how the Municipality will fast track the implementation of mSCOA.

### **REVENUE BUDGET**

The Chief Financial Officer, Miss. Palesa Makhubela referred to Item 5 of MFMA Circular 107 which states that, due to increase in unemployment and growth in the number of persons per household, Municipalities must maintain tariff increases at levels that reflect an appropriate balance between the affordability of poor households and other consumers.

### **BUDGET ASSESSMENT**

The assessment portion of all Municipal Budgets will be from 31 May 2020 to 30 June 2021.

### **INCREASE IN SALARIES FOR 3 YEAR AGREEMENT**

The Chief Financial Officer, Miss. Palesa Makhubela advised the meeting that the salary and wage Collective Agreement for the period 1 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation. Municipalities have therefore been advised that in the absence of an agreement they must consider their financial sustainability in determining their salary increases. Given the current economic climate caused by the Covid-19 pandemic, Municipalities who cannot afford their current wage cost, should apply no more than zero per cent increase in the 2021/2022 MTREF and exercise the option for exemption for any negotiated increases above the level of their affordability.

The Budget Steering Committee has after consultation resolved to recommend an increase based on the CPI inflation forecast of 4.1% with effect from 1 July 2021.

### **OVERTIME BUDGET**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that no indication of overtime allocation is provided in Circular 107 it is therefore recommended that it be limited to 10% of the salary budget.

### **INCREASE IN COUNCILLORS ALLOWANCES**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that the budget Circular 107 does not provide any allocation on Councillors allowances. It is therefore recommended that the same increase as provided for Officials be provided for on the budget.

### **DORA**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that National Treasury advised that Municipalities to reflect all their grant allocations in accordance with the Division of Revenue Act to be published in February 2021 after the budget speech by the Minister of Finance, and plan effectively to utilise

these allocations appropriately so that requests for roll-overs of conditional grants are avoided.

She also indicated that Municipalities are advised to use the indicative numbers presented in the 2020 Division of Revenue Act to compile their Draft 2021/2022 MTREF. In terms of the outer year allocations, it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2020 Division of Revenue Act for 2021/2022.

### **INCREASE IN TARIFFS**

National Treasury Circular107 provides for the following increases in tariffs:

The circular provided that increases be limited to the inflation forecast and if necessary to increase above inflation forecast, those increases be justified to National Treasury.

The following increases are approved:

<b><u>Service</u></b>	<b><u>Increase</u></b>
- Property Rates	4.1%
- Refuse Removal	4.1% or based on cost reflective tariffs
- Electricity	5.2%
- Water	4.1%
- Sewer	4.1%
- Indigent to be increased from R150 to R200 and plus water consumption above 6kilo litre per month	

### **SERVICE LEVEL STANDARDS**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that all Municipalities must formulate Service Level Standards which must form part of their 2021/2022 MTREF.

The Service Level Standards submitted in the previous financial year must be updated.

## **3.2 CAPITAL ALLOCATION**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that the amount to be allocated for Capital Projects must be based on the rollover projects from the

2020/2021 financial year. Rollover projects are almost never cash backed and provision therefore must be considered with the provision of new projects.

She also indicated that if the prioritisation of Capital Projects is not given special attention, it will, like in previous years, be finalised late which may result in non-compliance with legislation requirements.

The following items influence the amount to be allocated to Capital Projects:

- Increase in operational budget.
- Repair and Maintenance
- Depreciation
- Interest and Redemption

The amount to be allocated to Capital projects will be determined after the Committee has decided on the increase in operating expenses.

### **3.3 FUNDING OF CAPITAL PROJECTS**

The Chief Financial Officer, Miss. Palesa Makhubela informed the meeting that due to an agreement with DBSA no loan can be taken up during the next ten years from other financial institutions to finance Capital expenditure.

To be finalised during the next meeting.

### **3.4 OPERATING BUDGET REQUESTS**

Increase in electrical Bulk Purchases – Not yet approved. Provide for 6.2% subject to change.

#### **ELECTRICITY TARIFF STRUCTURE**

That the Electricity Department ensures that the tariff structure is in line with the structure required by NERSA / ESKOM.

The Chief Financial Officer, Miss. Palesa Makhubela also indicated that the directors must budget for the following:

$$\begin{aligned} \text{Repairs and maintenance} &= R + M \text{ Renewal (Capital)} \\ &= R + M \text{ Routine (Operational)} \end{aligned}$$

The Repairs and Maintenance renewal will be assessed by Provincial Treasury and Departments must make sure that sufficient provision for this item is provided.



## **BUDGET EMPLOYEE RELATED COST NEW POSITIONS**

It is recommended that provision be made on the Budget for the following positions:

- That the provision for new position be submitted to the Municipal Manager to be budgeted for. Approval by Municipal Manager before 28 January 2021.
- That these new positions be determined during a Management meeting.
- That provision be made for positions that became vacant during the past 12 months.

### **3.5 OTHER**

- Past and Current Performances
- Budget Information
- Sundry Tariffs – the limit is 4.1%
- Budget Schedules by Departments

That the above-mentioned information be submitted to the Budget Office not later than 30 January 2020 and that any late submission be motivated to the CFO and Municipal Manager. That a report in this regard be tabled in the next Budget Steering Committee Meeting.

### **3.6 ADJUSTMENT BUDGET AND IMPACT OF COVID-19**

The Chief Financial Officer, Miss. Palesa Makhubela informed the meeting that since the total lockdown affected certain sectors that are currently under financial distress, Municipalities reported a drastic decrease in collection of outstanding debt and also Greater Tzaneen Municipality experienced under collection of revenue and according to legislation and budget circulars the Municipality must reduce its revenue and expenditure during the adjustment budget process

The realistic anticipated revenue for the 2020/2021 financial year will be calculated and the reduced revenue and expenditure will be effected on the 2020/2021 budget. No increases in expenditure will be allowed but transfers between votes will be allowed

The Adjustment Budget meeting be held between 22 to 26 January 2021 to request inputs from the departments to ensure approval by 28<sup>th</sup> February 2021 during Council Meeting.

That the Final Adjustments to the 2020/2021 Budget be confirmed by management on the 4<sup>th</sup> of February 2021 and that Final Adjustment be presented to the Budget Steering Committee not later than the 7<sup>th</sup> of February 2021, as per the IDP, Budget and PMS time Table.

That the requests from the Politicians must be tabled in the Committee Meeting to be held on the 29<sup>th</sup> January 2021 to ensure compliance with legislative requirements.

### **3.7 APPROVAL OF THE 2021/2022 IDP AND BUDGET**

As per dates on the IDP Budget and PMS time table.

### **3.8 GTEDA**

- GTEDA to provide Budget and Adjustment Budget information on or before 30 January 2021.
- The increase in GTEDA allocation for the 2021/2022 budget be limited to a 10% increase on the current budget.

### **3.9 MOPANI DISTRICT MUNICIPALITY**

That the legislative requirements i.e Tariff increases be adhered to with the preparation of the 2021/2022 Water and Sewer Budgets.

## **4. MSCOA READINESS**

The Chief Financial Officer, Miss. Palesa Makhubela indicated that the 2021/2022 budget will be prepared directly on the MSCOA financial system and it will be locked within 10 working days after the final approval by Council

Our Municipality has acquired and maintain the hardware, software and licences required to be MSCOA compliant

Greater Tzaneen Municipality transact and report on all six legislated MSCOA segments directly on the core financial system and submit the required data strings directly from the system to the local government portal

The verification period of all municipal budget will be conducted between the periods of 31 May to 30 June. In this one-month period, the National and provincial treasuries will be required to evaluate all municipal budgets for completeness and for being fully funded. Any adjustments that need to be made must be done before the start of the municipal financial year on 1 July.

**5. Announcement**

The Municipal Manager announced that Council Lekgotla will be held on the 28 January 2021 virtual

**6. CLOSURE**

The meeting was adjourned at 10:57.