

MNQUMA LOCAL MUNICIPALITY
BUDGET AND TREASURY OFFICE



FINAL MTREF BUDGET 2020 – 2023

FINAL MEDIUM TERM REVENUE AND EXPENDITURE FRAME WORK BUDGET (MTREF) 2020 - 2023

1. Legal or statutory requirement

- 1.1 Section 215 of the Constitution of the Republic of South Africa, Act No 108 of 1996 states that; National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.
- 1.2 Section 16(1) of the MFMA, Act 56 of 2003 states that; the council of a municipality must for each financial year approve an annual budget for the Municipality before the start of that financial year.
- 1.3 Section 16(2) of the MFMA, Act 56 of 2003 states that; In order for a municipality to comply with subsection (1), the Mayor of the Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- 1.4 Section 21(2) of the MFMA states that; When preparing the annual budget, the mayor of a municipality must—
 - (a) take into account the municipality's integrated development plan;
 - (b) take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
 - (c) take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

2. Background exposition, facts and proposals

The municipality is required by Municipal Finance Management Act to adopt a budget process plan with clear time frames to be followed when compiling an annual budget. The process plan was adopted by council in August 2019.

The final MTREF Budget has been prepared taking into account Circular 98 that was issued in December 2019 and the Division of Revenue Bill issued in February 2020.

3. BUDGET ASSUMPTIONS

The Final budget is based on the following:

- MFMA Budget Circular 98 issued in December 2019
- 4.6% CPIX was used for 2021 – 2023 Budget estimates.
- Activity based budgeting was used
- Collection rate for Property rates and Service charges is anticipated to be 60% which is below the expected norm of 95%
- Personnel expenditure increase for employees below Section 56 Managers has been provided for in the budget at 6, 25%.
- Personnel expenditure increase for Section 54A and Section 56 Managers is 11%.
- Personnel expenditure increase for Councilors is based on 4% increases for 2018/2019.

4. SUMMARY OF THE FINAL MTREF BUDGET FOR 2020-2023

EXPENDITURE TYPE	Budget Year 2020/21 R	Budget Year 2021/22 R	Budget Year 2021/22 R
Operating Expenditure	229 002 002	224 105 370	234 862 428
Capital Expenditure	94 709 300	94 540 386	101 838 325
Employee Related Costs	226 189 556	237 046 655	248 424 895
TOTAL EXPENDITURE	549 900 858	555 692 411	585 125 647

5. OPERATING REVENUE

Rates tariffs were not increased and all other tariffs were increase as per the CPIX. Indigent register is in place and was taken into consideration on the budget. Valuation roll was also used to ensure the completeness of the revenue budget. Tariff listing was used to ensure that each revenue item is budgeted for. The municipality has projected to bill R 62,8 million for rates and services and anticipate to collect R38 Million (60%) based on current year collection rate.

Out of the R403million total revenue 75% is from Grants and 25% is own revenue. Grants transfers have increased from R337million (2019-2020) to R349 million (2020-2021) which is 3% increase. Own revenue increase from previous financial year is below 5%.

REVENUE PER FUNDING SOURCES:

	FINAL Budget Year 2020/21 R	Budget Year 2021/22 R	Budget Year 2022/23 R
Equitable Share - Operating	247 467 000	263 728 000	276 500 000
Equitable Share - Capital	26 275 000	26 275 000	26 275 000
Finance Management Grant	1 700 000	1 900 000	1 900 000
Municipal Infrastructure Grant-Capital	59 084 300	64 177 250	67 904 100
Municipal Infrastructure Grant-Operating	3 109 700	3 377 750	3 573 900
Expanded Public Works Programme	1 695 000	0	0
Integrated National Electrification Programme	9 270 000	5 000 000	8 000 000
Own Revenue	58 166 615	60 958 613	63 884 626
TOTAL	406 767 615	425 416 613	448 037 626

OWN REVENUE CASH FLOW PROJECTIONS

	Budget Year 2020/21 R	Budget Year 2021/22 R	Budget Year 2021/22 R
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Property rates	32 776 200	34 349 458	35 998 232
Service charges - refuse revenue	3 180 000	3 332 640	3 492 607
Rental of facilities and equipment	1 755 128	1 839 374	1 927 664
Interest earned - external investments	5 638 537	5 909 187	6 192 828
Fines, penalties and forfeits	6 391 500	6 698 292	7 019 810
Licences and permits	1 500 000	1 572 000	1 647 456
Agency services	4 500 000	4 716 000	4 942 368
Other revenue	2 175 250	2 279 662	2 389 086
Gains on disposal of PPE	250 000	262 000	274 576
Total Own Revenue	58 166 615	60 958 613	63 884 626

6. EXPENDITURE BUDGET

Operating expenditure is within revenue as our budget is funded / cash backed. There is a decrease of 1% compared to previous year's expenditure budget due to cutting of cost on nice to have. Capital expenditure is based on the following on approved 3 year capital plan and Strategic document that outlines the priorities of the council. Capital expenditure is budgeted at R94 million, 81% has been allocated towards new capital and 18% for renewal and upgrading of existing assets. Capital Expenditure is funded through MIG, INEP and Own revenue and is projected at 17% of the total expenditure.

The municipality has put aside budget for the following:

ITEM	BUDGET
Procurement of Plant	6 000 000
Sport Field	6 400 000
Community Hall	3 700 000
Access Roads	46 000 000
High mast lights and Maintenance of Street Lights	6 500 000
Street surfacing / Pothole Patching	4 500 000
Maintenance of Butterworth Town Hall	4 500 000
Construction of Animal Pound	4 000 000
Uniform & Protective Clothing	800 000
SMME Support	2 900 000
Special Programmes (Sport, Elderly, Disability, Youth etc.)	1 500 000
Training	3 000 000

OPERATING PROJECTS PER DIRECTORATE

DIRECTORATE	2020/2021 Budget	2021/2022 Budget	2022/2023 Budget
Office of the Mayor	617 500	647 140	678 203
Office of the Speaker	352 500	369 420	387 152
Office of the MM	3 337 725	3 497 936	3 665 837
Strategic Management	4 195 000	4 396 360	4 607 385
Community Services	6 000 000	6 288 000	6 589 824
LED	3 420 000	3 584 160	3 756 200
BTO	180 889 277	189 571 962	198 671 416
Corporate Services	15 695 000	16 448 360	17 237 881
Infrastructure	14 495 000	15 190 760	15 919 916
TOTAL OPERATING PROJECTS	229 002 002	239 994 098	251 513 815

CAPITAL PROJECTS PER DIRECTORATE

DIRECTORATE	2020/2021 Budget	2021/2022 Budget	2022/2023 Budget
Strategic Management	15 000	15 720	16 475
Community Services	890 000	932 720	977 491
LED	3 770 000	3 950 960	4 140 606
BTO	7 700 000	8 069 600	8 456 941
Corporate Services	1 440 000	1 509 120	1 581 558
Infrastructure	80 894 300	80 061 880	86 664 930
TOTAL OPERATING PROJECTS	94 709 300	94 540 000	101 838 000

5. Staff Implications

None

6. Financial implications

1. Operating revenue budget – R 350 697 000
2. Operating Expenditure budget – R 455 192 000
3. Capital Budget – R 94 709 000