

OFFICE OF THE EXECUTIVE MAYOR

26 June 2020

For submission to Council

FINAL ANNUAL BUDGET REPORT FOR 2020/21 FINANCIAL YEAR**1. Purpose**

The Purpose of this submission is to present to Council, Xhariep District Municipality's Final Annual Budget for the 2020/21 financial year.

2. Legislative Background

Section 24 (2) of the Municipal Financial Management Act states the following:

An annual budget-

- (a) must be approved before the start of the budget year;
- (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
 - (c) must be approved together with the adoption of resolutions as may be necessary-
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget- related policies.
- (3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

3. Discussions and Narratives

In compliance with the above section of the MFMA, 2020/21 Draft Annual Budget is prepared for the financial year based largely on the following:

3.1 Operating Revenue

The Equitable Share has increased with One point Eight million rand (R1,800,000) from Forty Three Million Five hundred and Forty Two thousand (R43,542,000) in 2019/20 budget year to Forty Five million Three Hundred and Forty Eight thousand (R45, 348,000).

The Free State Provincial Assistance Grant is reduced from Twenty million (R20 million) in 2019/20 budget period to Sixteen million (R16 million), a big reduction of Four Million.

Last year's projections were that we will receive Twenty One million One hundred (R21,100,000) in the 2020/21 period, meaning the total reduction is from Twenty One million One hundred thousand to Sixteen million. The effective decrease is then Five million One hundred thousand (R5,100,000)

It is worth noting that Equitable Share and Free State Provincial Grant helps the Municipality to fund the salary bill, third parties and other operations of the municipality and the reduction will put more strain in the financial management of the Municipality.

During the preparation of this Budget, the Xhariep District Municipality management had to ensure that the expenditure is tightly reduced to cover the reduction on Five million One hundred thousand (R5,100,000) decrease.

Honourable Speaker, I wish to inform Council that I wrote a correspondence to the MEC for CoGTA regarding this matter.

The Finance Management Grant (FMG) has decreased from One million Seven hundred and Eighty Five thousand rand (R1,785,000) in the 2019/20 financial year to One point Five million (R1,500,000) in 2020/2021. This is a reduction of Two hundred and Eighty Five thousand (R285.000).

This is a finance based grant aimed at assisting the Municipality to build capacity in Budget and Treasury Office and allowing the municipality to appoint and train finance internships.

EPWP has been decreased from One million One hundred and Thirty Six thousand rand (R1,136,000) to One million and Thirty Nine thousand rand (R1,039,000) another decrease of Ninety Six thousand rand (R96,000).

This reduction will have an impact in our strive to create employment for our communities

All the above matters will be taken up with relevant authorities to establish solid reasons for those decreases in conditional grants

In May 2020 the National Government has allocated a Disaster Relief Grant of One Hundred and Forty Nine Thousand Rands (R149 000) which accounts for 45% of approved total allocation. A further 55% of this grant is anticipated to be received in August 2020.

In our bid to raise own income we rent out portion of the building to Kopanong Local Municipality at an annual rental of Four hundred and Ninety thousand One hundred rand (R491, 000).

Other income will be coming from the current rental agreement out of a portion of a building at Planning division for One Hundred and Fifty Eight thousand rand (R158, 000). The anticipated Investment income is Eight hundred and Seventy one thousand (R871,000).

The parking bays rental is budgeted Eighty Four thousand Five hundred rand (R84, 500), Licences and permits income is budgeted Thirty thousand rand (R30, 000). Amount to be received from sale of tender document is anticipated to be Ten thousand rand (R10, 000).

The total draft operating revenue has reduced from Sixty Nine million Seven hundred and Nine thousand One hundred and Eighty Five rand (R69, 709,185) as approved in 2019/20 to Sixty Seven million Nine hundred and Forty Seven thousand (R67, 947 000 in the current period. The decrease is due to a reduction in the Free State Provincial Grant, EPWP and FMG as the main contributors.

Honourable Speaker, the reduction in revenue symbolises that the Municipality must come up with other revenue streams to sustain the financial health of this Municipality.

3.2 Capital Expenditure

The municipality capital budget planned to be spent is Four hundred and Five thousand (R405,000) on procurement. The main contributors are computer equipment and a purchase of official Vehicle that will accelerate our contribution on service delivery to the district.

3.3 Operating Expenditure

This draft budget is aimed at producing a funded budget and all expenditure planned are funded.

The major planned expenditure is as follows:

- 3.3.1 The Provincial Grant cut of expected Five million has forced management to mitigate by reducing employees related cost. Some of the vacant posts will be kept without the budget and this will cause strain on certain departments but we are optimistic that the situation will improve. The Employee Related Cost for this budget is Forty Eight and Half million rand (R48,5mil)

- 3.3.2 Employee Related Cost is budgeted at Forty Eight Million Five Hundred Thousand Rands (R48 500 000) which is a decrease from Fifty Three Million (R 53 000 000) from previous budget.
- 3.3.3 The audit committee fees budget is One hundred and twenty six thousand rand (R126,000), this spend will cover both the audit and risk committees.
- 3.3.4 The audit fees for Auditor General of South Africa are budgeted at Two million Five hundred and Seventy thousand rand (R2,570,000)
- 3.3.5 Subsistence and Travel expenses are budgeted at One point Five million rand (R1,5 Mil) for all departments of the municipality. This cost is necessary to let the municipality operate its business.
- 3.3.6 Water and electricity has been budgeted at One hundred and Seventy Four thousand (R174,000) based on the current trend and the future expected cost.
- 3.3.7 Congress and seminars vote is allocated Eighty thousand rand (R80,000) across all departments
- 3.3.8 Bank charges are allocated One hundred thousand rand (R 100,000) as we plan to better manage municipality way of banking
- 3.3.9 Interest paid on purchases is allocated One hundred and Forty thousand rand (R140,000) in line with Municipality cash flow position.
- 3.3.10 Repairs and maintenance for building is allocated by Two Hundred and Fifty thousand rand (R250, 000) to continue in addressing the impairments on the building including toilets.
- 3.3.11 Local Economic Development projects have been allocated Five Hundred Thousand rand (R500, 000) to address the service delivery expectations.
- 3.3.12 Environmental Health has been budgeted Five Hundred Thousand rand (R500,000) and on top of this we put away Three hundred thousand rand (R300,000) for Communicable diseases like Corona Virus among others

As the Municipality we take cognisance of the current set of circumstances we find ourselves in to ensure that we guard the health and safety and well-being of our communities and officials alike.

- 3.3.13 Budget for Political offices department has been allocated Four hundred and Twenty thousand (R420,000), projects include among others Social Responsibility, Public participation, O.R Tambo Games , Youth Development, IGR, District AIDS Council
- 3.3.14 Internet Service Provider (ISP) Premiums is allocated Three Hundred and Fifty thousand rand (R350,000) to allow the internet to always be available.
- 3.3.15 Licence fees have been budgeted One hundred and Nine thousand rand (R109, 000).
- 3.3.16 Cleaning materials are allocated Fifty thousand (R50,000) to keep our building clean
- 3.3.17 Skills Development Costs are allocated Two hundred and Fifty thousand rand (R250,000) to capacitate more officials
- 3.3.18 SALGA fees have been allocated Five hundred thousand rand (R 500,000)
- 3.3.19 Insurance cover is budget at Seven hundred and Sixty thousand rand (R760,000) to ensure comprehensive cover for municipal assets
- 3.3.20 Telephone expenses votes is allocated Four hundred and Three thousand rand (R403,000)
- 3.3.21 Fuel cost for vehicles is allocated Two hundred thousand (R200,000)
- 3.3.22 Penalties and interest budget is allocated One hundred and Fifty thousand (R150,000)
- 3.3.23 Maintenance of vehicles votes is allocated One hundred and Fifty thousand (R150,000)

Financial Implications

The final budget shows a funded budget that complies with the budgeting principles.

Parties Consulted

Executive Mayor

Accounting Officer

Xhariep District Management

Xhariep Stakeholders

Recommendations

It is recommended that council approve a final budget for 2020/21 financial year .

a) That the budget, as envisaged by section 17 of the MFMA, for the financial year 2020/21 and two outer 2021/22 & 2022/23 financial years be noted with

(i) Table A1 Budget Summary;

(ii) Table A2 Budget Financial Performance (by standard classification);

(iii) Table A3 Budget Financial Performance (by municipal vote);

(iv) Table A4 Budget Financial Performance (revenue by source); and

(v) Table A5 Budget Capital Expenditure (by municipal vote and funding source)

2, It is recommended that council takes note of the draft budget related policies

2.1 Supply Chain Management Policy

2.2. Budget Policy

2.3. Banking and Investments Policy

2.4 Credit Control and Debt Collection Policy

2,5 Tariff Policy

2.6 Fixed Asset Policy

2.7 Travel and Subsistence Allowance Policy

2.8 Procurement Plan for 2020/2021


Hon Clr M J Sehanka
Executive Mayor