**AMAJUBA DISTRICT**

**MUNICIPALITY**

**COUNCIL MEETING : SC/00/2020 - 2021**

**MEETING DATE : 30 JUNE 2020**

**COMPILED BY : CHIEF FINANCIAL OFFICER**

**FILE NO. : 5/1/4**

SUBJECT: DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2020-2021 TO 2022/2023 FOR AMAJUBA DISTRICT MUNICIPALITY AS REQUIRED BY SECTION 16 OF THE MFMA

PURPOSE

To submit to Council for recommendation to the Draft (Tabled) Medium Term Revenue and Expenditure Framework for Amajuba District Municipality for the 2020/2021 to 2022/2023 in terms of Section 16 of the Municipal Finance Management Act.

EXECUTIVE SUMMARY

In terms of the legislative process, the IDP and Budget must be tabled to Council by no later than 90 days before the commencement of the new financial year for endorsement so that the public participation processes can commence in the following month. Thereafter the tabled budget with input from the role players must be considered by Council for final approval not later than 30 days before the new financial year.

The Draft Budget is now being put forward for tabling to Council as required by section 16 of the MFMA.

The following attachments are provided:

**SECTION ONE: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

Annexure A Draft Medium-Term Revenue and Expenditure Framework – Complete Budget Document as per Budget and Reporting Regulations

DISCUSSION

**Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:**

1. *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*
2. *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.*
3. *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

**Section 24 of the MFMA dealing with the approval of annual budgets and, inter alia, reads as follows:**

1. *The Municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget.*

1. *An annual budget-*

1. must be approved before the start of the budget year.
2. is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
3. must be approved together with the adoption of resolutions as may be necessary-

1. imposing any municipal tax for the budget year.
2. setting any municipal tariffs for the budget year.
3. approving measurable performance objectives for revenue from each source and for each vote in the budget.
4. approving any changes to the municipality's integrated development plan; and
5. approving any changes to the municipality's budget related policies.

1. The Accounting Officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

PROCESS FOLLOWED

**Background**

* In terms of the Schedule of Key Deadlines as approved by Council, the Draft Budget must be tabled to Council in March 2020.This could not take place due to the Covid-19 Lockdown The Draft Budget is now presented for consideration and recommendations made by the Executive Committee about 30 days before the start of the Financial year.
* **Annexure A** contains the detailed budget of Amajuba District Municipality for the MTREF period. It is compiled in line with the Budget Guideline set out by National Treasury. The template supplied by National Treasury was used and it is in the exact format as prescribed.

**DRAFT MTREF BUDGET 2020/2021**

The First Draft Budget presented for tabling is based on all the principles and guidelines as contained in the Medium-Term Budget Policy Statement.

**2020/2021 MTREF SUMMARY (REVENUE BUDGET)**

**The MTREF for the 2020/21 Multi-year budget, with comparative information is as follows:**

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** |  **CURRENT YEAR**  |  **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**  |
|  **2019/2020**  |  **2019/2020**  |  **2019/2020**  |  **2019/2020**  |  **2020/2021**  |  **2021/2022**  |  **2022/2023**  |
|  **Original Budget**  |  **ADJUSTMENT BUDGET**  |  **ADJUSTMENT BUDGET-February 2020**  |  **Covid 19-Emergency Budget**  |  **Budget Year +1**  |  **Budget Year +2**  |  **Budget Year +3**  |
| OPERATING REVENUE BUDGET | 208 146 558 | 208 147 558 | 209 747 558 | 213 134 558 | 224 340 061 | 236 541 122 | 251 568 103 |
| CAPITAL BUDGET FUNDED FROM GRANTS | 87 039 000 | 87 039 000 | 89 349 000 | 89 349 000 | 90 779 000 | 99 133 000 | 106 707 000 |
| CAPITAL BUDGET FUNDED FROM OWN REVENUE | 417 800 | 417 800 | 417 800 | 417 800 | 1 538 800 | 222 183 | 234 403 |
| **TOTAL**  | **295 603 358** | **295 604 358** | **299 514 358** | **302 901 358** | **316 657 861** | **335 896 305** | **358 509 506** |
|   |   |   |   |   |   |   |   |

**2020/21 MTREF SUMMARY (EXPENDITURE BUDGET)**

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** |  **CURRENT YEAR**  |  **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**  |
|  **2019/2020**  |  **2019/2020**  |  **2019/2020**  |  **2019/2020**  |  **2020/2021**  |  **2021/2022**  |  **2022/2023**  |
|  **Original Budget**  |  **ADJUSTMENT BUDGET**  |  **ADJUSTMENT BUDGET-February 2020**  |  **Covid 19-Emergency Budget**  |  **Budget Year +1**  | **Budget Year + 2**  |  **Budget Year +3**  |
| OPERATING EXPENDITURE BUDGET | 251 163 744 | 250 004 826 | 263 966 695 | 267 371 460 | 277 974 121 | 285 728 416 | 298 913 047 |
| CAPITAL EXPENDITURE BUDGET FUNDED FROM GRANTS | 87 039 000 | 87 039 000 | 89 349 000 | 89 349 000 | 90 779 000 | 99 133 000 | 106 707 000 |
| CAPITAL EXPENDITURE BUDGET FUNDED FROM OWN REVENUE | 417 800 | 417 800 | 417 800 | 417 800 | 1 538 800 | 222 183 | 234 403 |
| **TOTAL**  | **338 620 544** | **337 461 626** | **353 733 495** | **357 138 260** | **370 291 921** | **385 083 599** | **405 854 450** |
|   |   |   |   |   |   |   |   |

**In the operational budget the municipality will incur a deficit of (53 634 060)**

**The following are factors of adjustments:**

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** |  **CURRENT YEAR**  |  **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**  |
|  |
| **2019/2020** | **2019/2020** | **2019/2020** | **2020/2021** | **2021/2022** | **2022/2023** |  |
| **Original Budget** | **ADJUSTMENT BUDGET** | **ADJUSTMENT BUDGET-February 2020** | **Budget Year +1** | **Budget Year +2** | **Budget Year +3** |  |
| OPERATING REVENUE BUDGET |   |   |   | 224 340 061 | 236 541 122 | 251 568 103 |  |
| 208 146 558 | 208 147 558 | 209 747 558 |  |
| OPERATING EXPENDITURE BUDGET |  |  |  |  |  |  |  |
| 251 163 744 | 250 004 826 | 263 966 695 | 277 974 121 | 285 728 416 | 298 913 047 |  |
| **SURPLUS/(DEFICIT)** | **(43 017 186)** | **(41 857 268)** | **(54 219 137)** | **(53 634 060)** | **(49 187 294)** | **(47 344 944)** |  |
|   |   |   |   |   |   |   |  |

* Employee costs
* Contracted Services
* Repairs and maintenance
* Depreciation (Non-Cash)
* Provisions for Debt impairments (Non-Cash)
* Provision for Contingent Liabilities-Legal Litigations

The **Capital Budget** of **R92 317 800 million** is largely driven by projects emanating from the Municipal Infrastructure Grant (MIG) and Water Systems Infrastructure Grant (WSIG). The allocations have decreased considerably by National Treasury.

The Capital Budget will be funded as follows:

* **MIG and WSIG grants** – allocations as per the 2020 Division of Revenue Act (DORA))

**CAPITAL BUDGET**

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** |  **CURRENT YEAR**  |  **MEDIUM TERM REVENUE AND EXPENDINTURE FRAMEWORK**  |
|  **2019/2020**  |  **2019/2020**  |  **2020/2021**  |  **2020/2021**  |  **2021/2022**  |  **2022/2023**  |
|  **Original Budget**  |  **COVID -19 REALLOCATION BUDGET**  |  **MIG RE-ALLOCATION Budget Year +1**  |  **Budget Year +1**  |  **Budget Year +2**  |  **Budget Year +3**  |
| **MIG GRANT FUNDING PROJECTS** |   |   |   |   |   |   |
| DC25\_CE0010\_MIG PMU admin cost Project Management | 3 000 000 | 1 042 512 | 2 000 000 | 2 000 000 | 2 500 000 | 3 000 000 |
| DC25\_CE0010\_MIG PMU admin cost Planning |  |  | 500 000 | 2 038 950 | 2 206 650 | 2 187 000 |
| DC25\_UPGRADE EMANDLANGENI SANITATION-MIG; | 2 000 000 | - | - |  |  | - |
| Consultants |  | - | 500 000 | 560 000 | 700 000 |  |
| Construction |  | - | - | 1 966 050 | 2 000 000 |  |
| DC25\_CE0011\_New Goedehoop bulk water and sanitation  | 15 000 000 | 607 706 | - |  |  |  |
| Consultants |  |  | 700 000 | 700 000 | 1 168 200 | 1 400 000 |
| Construction |  |  | 2 800 000 | 4 300 000 | 8 343 000 | 9 500 000 |
| DC25\_CE0012\_ New Danhauser Housing Development Bulk Water and Sanitation | 7 000 000 | 357 451 | - |  |  |  |
| Consultants |  |  | 980 000 | 980 000 | 1 077 000 | 1 540 000 |
| Construction |  |  | 4 450 100 | 4 450 100 | 8 104 980 | 9 460 000 |
| DC25\_CE0013\_Buffalo Flats Water Supply Scheme Phase 3B | 14 039 000 | 3 410 000 | - | - | - | - |
| Hiltop Reservor Settlements Water supply Scheme |  | 7 303 856 | - |  |  |  |
| Consultants |  |  | 2 000 000 | 3 469 746 | 2 723 000 | 2 800 000 |
| Construction |  |  | 10 009 737 | 19 314 154 | 15 310 170 | 16 700 000 |
| COVID-19 Buffalo Flats bulk water supply Intervention MIG Reprioritisation |  |  | - |  |  |  |
| Consultants |  | 3 160 965 | 3 160 965 |  |  |  |
| Construction |  | 22 156 510 | 12 678 198 |  |  |  |
| Covid -19 \_Disaster relief \_Reallocation to OperatingWater Tankering  |  | 3 000 000 | 1 000 000 | 1 000 000 |  |  |
| **SUB TOTAL** | **41 039 000** | **41 039 000** | **40 779 000** | **40 779 000** | **44 133 000** | **46 587 000** |
|   |  |  |  |  |  |  |
|   |  |  |  |  |  |  |
| **WSIG GRANT FUNDED PROJECTS** |  |  |  |  |  |  |
| DC25\_CE0001\_Upgrade Emxakheni Water Scheme | 1 000 000.00 | - | - | - | - | - |
| Consultants |  |  |  |  |  |  |
| Construction |  |  |  |  |  |  |
| DC25\_CE0002\_Upgrade Buffalo Flats Water Supply Scheme Phase 4 (infills) | 4 400 000.00 | 20 935 000 | - | - | - | - |
| Consultants |  |  |  |  | - | - |
| Construction |  |  |  | - | - | - |
| DC25\_CE0004\_New Refurbishment of water and waste water treatment plants | 2 000 000.00 | - | - | - |  |  |
| Consultants |  |  | 1 540 000 | 1 540 000 | 1 120 000 | 1 230 000 |
| Construction |  |  | 9 460 000 | 9 460 000 | 6 880 000 | 8 000 000 |
| DC25\_CE0006\_Construction of Brakfontein resevoir | 12 000 000.00 | 3 747 000 | - |  |  |  |
| Consultants |  |  | 2 380 000 | 2 380 000 | 3 780 000 | 4 000 000 |
| Construction |  |  | 14 620 000 | 14 620 000 | 23 220 000 | 23 500 000 |
| DC25\_Ermegency water supply to Ramaphosa, Hilltop and Skobaren -Dannhauser LM | 15 000 000.00 | 18 418 000 | - |  |  |  |
| Consultants |  |  | 2 800 000 | 2 800 000 | 3 920 000 |  |
| Construction |  |  | 17 200 000 | 17 200 000 | 14 080 000 | 23 390 000 |
| DC25\_Emadlangeni Borehole Program | 4 600 000.00 | - | - | - | - | - |
| Consultants |  |  |  |  |  |  |
| Construction |  |  |  |  |  |  |
| DC25\_WC/WDM Program | 5 000 000.00 | - | - |  |  |  |
| Consultants |  |  | 500 000 | 500 000 | 500 000 |  |
| Site investigations |  |  | 1 500 000 | 1 500 000 | 1 500 000 |  |
| DC25\_Drought relief Program | 2 000 000.00 | - | - | - |  |  |
| Refurbushment of Durnacol Water Treatment works | - | 2 900 000 | - | - |  |  |
|  **SUB TOTAL**  | **46 000 000** | **46 000 000** | **50 000 000** | **50 000 000** | **55 000 000** | **60 120 000** |
| **Massification Grant projects** |  |  |  |  |  |  |
| New Refurbushment and upgrading of a Bulk water pipeline supply Dannhauser and Emadlangeni | - | 1 210 000 |  |  |  |  |
| New Refurbushment of existing handpumps boreholes in reticulation Infrastructure | - | 1 100 000 |  |  |  |  |
|  **SUB TOTAL**  | **-** | **2 310 000** | **-** | **-** | **-** | **-** |
|   |  |  |  |  |  |  |
| **TOTAL GRANT FUNDED IDP PROJECTS ENGINEERING** | **87 039 000** | **89 349 000** | **90 779 000** | **90 779 000** | **99 133 000** | **106 707 000** |
|   |  |  |  |  |  |  |
| **OPERATING CAPITAL -CONTRIBUTIONS FROM OWN REVENUE** |  |  |  |  |  |  |
| DC25\_CORP0032\_Office Furniture & Equipment-Corporate Services | 200 000 | 200 000 | 210 800 | 210 800 | 222 183 | 234 403 |
| DC25\_CORP0032\_Refurbishment Records Management System |  |  | 1 300 000 | 1 300 000 | - | - |
| Office Furniture & Equipment-Financial services | 157 800 | 157 800 |  |  |  |  |
| Office Furniture & Equipment-Planning and Development services | 60 000 | 60 000 |  |  |  |  |
| Office Furniture & Equipment--Tousong Services |  |  | 28 000 | 28 000 |  |  |
| **TOTAL** | **417 800** | **417 800** | **1 538 800** | **1 538 800** | **222 183** | **234 403** |
|   |  |  |  |  |  |  |
| **TOTAL CAPITAL EXPENDITURE** | **87 456 800** | **89 766 800** | **92 317 800** | **92 317 800** | **99 355 183** | **106 941 403** |
|   |  |  |  |  |  |  |

**TARIFF INCREASES**

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore, municipalities are required to justify all increases in excess of the projected inflation target for 2020/21 in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.

|  |  |  |  |
| --- | --- | --- | --- |
| Service / Category  |  Proposed 2019 2020( Excl VAT)  |  Proposed 2020 2021( Excl VAT)  | % increase 2020 2021 |
|  Water supply  |   |   |   |
|  Residential/Charitable/Religious  |  |  |  |
|  0kl-6kl  | 8.05 | 8.53 | 6% |
|  7kl-20kl  | 9.33 | 9.89 | 6% |
|  21kl-40kl  | 11.19 | 11.87 | 6% |
|  41kl-60kl  | 13.81 | 14.64 | 6% |
|  60kl+  | 16.70 | 17.70 | 6% |
|  Business & Industry per KL  |  | - |  |
|  0kl-6kl  | 9.94 | 10.54 | 6% |
|  7kl-20kl  | 11.78 | 12.48 | 6% |
|  21kl-40kl  | 13.05 | 13.83 | 6% |
|  41kl-60kl  | 14.33 | 15.19 | 6% |
|  60kl+  | 15.58 | 16.52 | 6% |
|   |  |  |  |
|  Other  |  |  |  |
|  0kl-6kl  | 13.22 | 14.01 | 6% |
|  7kl-20kl  | 10.23 | 10.84 | 6% |
|  21kl-40kl  | 11.42 | 12.10 | 6% |
|  41kl-60kl  | 13.27 | 14.07 | 6% |
|  60kl+  | 15.18 | 16.09 | 6% |
|   |  | - |  |
|  Raw water per kl  | 6.93 | 7.35 | 6% |
|   |  | - |  |
|  Sanitation  |  | - |  |
|  All customers per KL  | 5.64 | 5.98 | 6% |
|  Emptying septic tanks per load  | 717.30 | 760.34 | 6% |
|   |  | - |  |
|  Availability charge  |  | - |  |
|  Serviced vacant land  | 179.33 | 190.09 | 6% |
|   |  | - |  |
|  Business water services fixed charge  | 45.20 | 47.91 | 6% |
|   |  | - |  |
|  Industrial water services fixed charge  | 45.20 | 47.91 | 6% |
|   |  | - |  |
|  Business & Industrial sanitation services fixed charge  | 86.50 | 91.69 | 6% |
|   |  |  |  |
|  Testing of meters  |  |  |  |
|  Exceeds 50mm  | Cost + 10% | Cost + 10% |  |
|   |  |  |  |
|  New connections  |  |  |  |
|  Water  |  |  |  |
|  Connections 25mm and less  | Cost + 10% | Cost + 10% |  |
|  Connections greater than 25mm  | Cost + 10% | Cost + 10% |  |
|  Sanitation  |  |  |  |
|  All connections  | Cost + 10% | Cost + 10% |  |
|   |  |  |  |
|  Deposits (New and Reconnections) |  |  |  |
|  Domestic  | 845.88 | 896.63 | 6% |
|  Commercial  | 1 578.98 | 1 673.72 | 6% |
|   | - |  |  |
|  Reconnection Fee  | 112.78 | 119.55 | 6% |
|   | - |  |  |
| Disconnection Fee  | - |  |  |
| Water restricted (non-paying customers) | 112.78 | 119.55 | 6% |
|   |  |  |  |
| Water tank deliveries |  |  |  |
| Water tank delivery per load | Cost + 10% | Cost + 10% |  |

FINANCIAL IMPLICATIONS

Deficit of **(R 67 698 162)**

LEGAL IMPLICATIONS

The tabling of the Budget will ensure compliance with Section 16 of the MFMA.

COMMUNICATION IMPLICATIONS

Immediately after tabling the Budget to Council, The Municipality must ensure the following:

* Documentation to be placed on the website
* Copies of all documentation to be made available at all libraries
* Documentation to be circulated to National and Provincial Departments
* Advertisements to be placed in the media

RECOMMENDATIONS

It is recommended **THAT**:

Council carefully reviews the **Draft 2020/2021** **UNFUNDED BUDGET** with a deficit of

 **(R53 634 060)** for the financial period **2020/2021.**

1. The Operating Expenditure Budget for the **2020/21** financial year amounting

to **R 277 974 121** as well as the appropriations for the outer years of the MTREF period of **R 285 728 416**  or the **2021/22** and **R 298 913 047** for the **2022/23** financial years be approve.

1. The Operating Revenue Budget for the **2020/21** financial year amounting to

**R 224 340 061 as** well as the appropriations for the outer years of the MTREF period of **R 236 541 122 or** the **2021/22** and **R 251 568 103** for the **2022/23** financial years be approved.

1. The Capital Budget allocation of **R92 317 800 to** be funded mainly from Municipal Infrastructure Grant (MIG) allocation and the Municipal Water Infrastructure Grant allocations.
2. Water and Sanitation Tariff’s and other Minor Tariffs be approved at a **6%** increase to be effective **1 July 2020 FY**
3. The Operating Deficit of (**R53 634 060)** be noted.
4. And that Council approves the Draft **MTREF 2020-2021\_2023** Budget