**ITEM:**

**REPORT BY THE EXECUTIVE MAYOR**

##### FINAL BUDGET 2020/21

# **PURPOSE OF THE REPORT**

The purpose of the report is to submit the multi-year Final 2020/21 budget of the Waterberg District Municipality to Council for approval.

# **STATUTORY/LEGAL REQUIREMENT**

Section 24(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.”*

Section 24(2)(c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality’s integrated development plan”*

Section 17 of the MFMA states that an annual budget must be in a schedule in the “prescribed format”.

Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that:

*“The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information.”*

Paragraph 14 of the MBRR indicates that:

*“An annual budget and supporting documentation tabled in a municipal council must be in the format in which it will eventually be approved by Council and be credible and realistic such that it is capable of being approved and implemented as tabled.”*

Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

 *“(a) in accordance with Chapter 4 of the Municipal Systems Act—*

*(i) make public the annual budget and the documents referred to in section 17(3); and*

*(ii) invite the local community to submit representations in connection with the budget; and*

*(b) submit the annual budget—*

*(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and*

*(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by*

 *the budget”*

Section 87(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“The board of directors of a municipal entity must for each financial year submit a proposed budget to its parent municipality not later than 150 days before the start of the entity’s financial year.”*

Section 87(3) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.”*

MFMA Budget Circular 99 has been attached.

**National Treasury Circular 66** dated 11 December 2012 requires that the Auditor General must from 2012/2013 express an opinion in relation to non-cash items as it relates to unauthorised expenditure resulting from overspending.

**STATUTORY/LEGAL REQUIREMENT *(continue)***

**Section 160(2) of the Constitution** provides that a council may not delegate the approval of budgets or the imposition of rates, taxes, levies and duties. In other words, *only the council may make decisions related to the raising of municipal revenues and approving (or authorising) the spending of those revenues through the budget or an adjustments budget*.

***MFMA section 22.*** Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must

*(b)* submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury;

**BACKGROUND, EXPOSITION, FACTS AND PROPOSALS**

According to the original Budget Process Plan the annual 2020/21 budget has to be tabled to Council 90 days before the start of the new budget year, and it is thus tabled to Council on 26 March 2020.

After the approval by Council of the tabled 2020/21 budget, the budget will be made public and submitted to National and Provincial Treasury. The municipality must embark on public participation for the Budget & IDP between March and April 2020 in terms of the 2020/21 IDP/Budget Process Plan approved by Council in August 2019.

The budget related policies were reviewed and where any adjustments were required, the revised policies are attached to the final item for approval. The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The 2020/21 municipal tariffs for the Abattoir and Fire Fighting has been reviewed and is attached to this budget item. Changes are proposed for Fire Fighting tariffs and Abattoir tariffs from the approved 2019/20 tariffs.

All current investments have been committed in terms of the 2019/20 IDP & Budget and the 2020/21 IDP and Budget to such an extent that we are experiencing an operating shortfall in the medium term due to lack of accumulated surplus to fund the current operating losses, therefore the significantly reduced IDP budget.

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.

# The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 has come into effect. The preparation of the 2020/21 is based on the concluded 3 year Salary and Wage Collective Agreement dated 15 August 2018 and liked to inflation rate as per **MFMA Budget Circular No. 99**.

* 2020/21 Financial Year – average CPI 5% + 1.25%
* 2021/22 Financial Year - average CPI 5% + 1.25%
* 2022/23 Financial Year - average CPI 5% + 1.25%

Municipalities are advised to use this Salary and Wage Agreement when preparing their 2020/21 MTREF budgets. The National Treasury’s recommended CPI rate for 2020/21 is 5 %, therefore salary increase is

**BACKGOUND, EXPOSITION, FACTS AND PROPOSALS *(continue)***

# calculated at 6.25% for the next financial period. In terms of remuneration of councillors, Municipalities are further advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. ***Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned.***

The shortfall in the 2019/20 operating budget of **R 26 456 325** is unfunded as such spending should be kept at a minimum level in order to reduce this projected deficit. The current IDP operating projects, unfunded health and fire-fighting services, as well as the Abattoir operations has a huge impact on this deficit, since some projects or services which are not funded by grants have been included in this tabled budget. The full amount of the shortfall relates to an actual operating shortfall in the 2020/21 year whereby the revenue received during the 2020/21 year will not be enough to fund the budgeted 2020/21 operating expenditure. This is a major cause for concern as indication is that the Municipality will continuously be short on the budget in future as revenue is fixed per grants and majority of operating expenditure is salary related which often increases by more than the CPI or relevant equitable share percentage increase.

The accumulated deficit from the previous two financial years as well as the project deficit for the current financial year is, as per the current state of affairs worsening the financial position of the Municipality. This now has a detrimental effect on the municipality’s ability to fund the budget shortfall beyond 2020/21 and IDP projects required to meet service delivery mandate. WDM is grant dependant which makes it difficult to generate own revenue. Management is in the process of developing Revenue enhancement strategy that will assist in identification of additional revenue streams to address the budget shortfall going forward. The special focus will be implementation of the fire-fighting tariffs as well as the proposed new tariff for Municipal Health Service.

Attached as Budget Table SA10 and Annexure 7 is the funding measurement test which indicates that currently only 2020/21 budget year is funded. The 2021/22 and 22/23 budget shortfall as well as the IDP projects highlighted in Annexure 3 are currently unfunded.

# **STAFF IMPLICATIONS**

New positions in Fire-fighting services (7); Office of the Municipal Manager (1); office of the CFO (2) and Executive Support (1) have been included in the 2020/21 budget.

# **FINANCIAL IMPLICATIONS**

See attached Schedules.

The Budget/IDP Road Shows will be held in March to May 2020 by the Offices of the Municipal Manager and Executive Mayor. The costs will be defrayed from the IDP votes Corporate - IDP CO 011 and MM - Strategic planning CO 012.

# **OTHER PARTIES CONSULTED**

WDM Municipal Manager Bela Bela Local Municipality

WDM Section 57 managers Modimolle- Mokgopong Local Municipality

WDM Divisional managers Thabazimbi Local Municipality

WDM IDP Forums Lephalale Local Municipality

# **OTHER PARTIES CONSULTED (*continue*)**

Limpopo Provincial Treasury Mogalakwena Local Municipality

National Treasury Waterberg Community

(2020/21 budget proposals for Contracted Services Firefighting was received from Mogalakwena Local Municipality)

**ANNEXURES**

**Budget:**

Table A1 - Budget Summary

Table A2 - Budgeted Financial Performance (by standard classification - GFS)

Table A3 - Budgeted Financial Performance (by municipal vote)

Table A4 - Budget Financial Performance (by revenue source & expenditure type)

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Table A6 - Budgeted Financial Position

Table A7 - Budgeted Cash Flows

Table A8 - Cash backed reserves / accumulated surplus reconciliation

Table A9 - Asset Management

Table A10 - Basic Service Delivery Measurement

**Supporting documents**:

Table SA1 - Supporting detail to “Budgeted Financial Performance”

Table SA2 - Matrix Financial Performance Budget (revenue source/expenditure per type)

Table SA3 - Supporting detail to “Budgeted Financial Position”

Table SA4 - Reconciliation of IDP strategic objectives and budget (revenue)

Table SA5 - Reconciliation of IDP strategic objectives and budget (operating expenditure)

Table SA6 - Reconciliation of IDP strategic objectives (capital expenditure)

Table SA7 - Measurable performance objectives

Table SA8 - Performance indicators and benchmarks

Table SA9 - Social, economic and demographic statistics and assumptions

Table SA10 - Funding measurement

Table SA11 - Property rates summary **(N/A)**

Table SA12a - Property rates by category (current year) **(N/A)**

Table SA12b - Property rates by category (budget year) **(N/A)**

Table SA13a - Service Tariffs by category **(N/A)**

Table SA13b - Service Tariffs by category (explanatory) **(N/A)**

Table SA14 - Household bills **(N/A)**

Table SA15 - Investment particulars by type

Table SA16 - Investment particulars by maturity

Table SA17 - Borrowing **(there is none)**

Table SA18 - Transfers and grant receipts

Table SA19 - Expenditure on transfers and grant programme

Table SA20 - Reconciliation of transfers, grant receipts and unspent funds

Table SA21 - Transfers and grant made by the municipality

Table SA22 - Summary councillor and staff benefits

Table SA23 - Salaries, allowances and benefits (political office bearers/cllrs/senior managers)

Table SA24 - Summary of personnel numbers

Table SA25 - Budgeted monthly revenue and expenditure (source & type)

**ANNEXURES *(continue)***

**Supporting documents**: ***(continue)***

Table SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Table SA27 - Budgeted monthly revenue and expenditure (standard classification)

Table SA28 - Budgeted monthly capital expenditure (municipal vote)

Table SA29 - Budgeted monthly capital expenditure (standard classification)

Table SA30 - Budgeted monthly cash flow

Table SA31 - Not required – municipality does not have active entities **(N/A)**

Table SA32 - List of external mechanisms **(there is none)**

Table SA33 - Contracts having future budgetary implications

Table SA34a - Capital expenditure on new assets by asset class

Table SA34b - Capital expenditure on the renewal of existing assets by asset class

Table SA34c - Repairs and maintenance by asset class

Table SA34d - Depreciation by asset class

Table SA35 - Future financial implications of the capital budget

Table SA36 - Detailed capital budget

Table SA37 - Projects delayed from previous financial analysis **(to be determined in July 2020)**

Annexure 1 - Abattoir Tariffs

Annexure 2 - Fire Fighting Tariffs

Annexure 3 - Municipal Health Service Tariffs

Annexure 4 - IDP project summary

Annexure 5 - Proposed 2019/20 IDP rollover projects

Annexure 6 - Organogram 2020/21 implementation status

Annexure 7 - Circulars 99 of March 2020

Annexure 8 - Cash available for 2020/21 IDP projects

Annexure 9 - Quality Certificate for 2020/21 Budget

Annexure 10 - Summary of 2020/21 MTREF Budget

Annexure 11 - Reconciliation of A1 grants to DORA

Annexure 12 - SALGA Circular No.6/2018 - Salary and Wage Collective Agreement

Annexure 13 - Graphs

Annexure 14 - 2020/21 operating budget changes from tabled to final budget Policy

Annexure 15 - Procurement Plan for 2020/21 IDP projects

Annexure 16 - Asset Management Debt Collection and Credit Control Policy

Annexure 17 - Catering Policy Investment Policy

Annexure 18 - Cost Containment Policy

Annexure 19 - Debt Collection and Credit Control Policy

Annexure 20 - Expenditure Management Policy

Annexure 21 - Funding Reserves Policy

Annexure 22 - Investment Policy

Annexure 23 - Petty Cash Policy

Annexure 24 - Travel and Subsistence Policy

Annexure 25 - Supply Chain Management Policy

Annexure 26 - Virement Policy

**AUTHORITY**

- Municipal Finance Management Act, No 56 of 2003

- Municipal Systems Act, No 32 of 2000

- Municipal Budget and Reporting Regulations, Notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009

* The Division Of Revenue Bill 2019/20
* MFMA Budget Circulars, most recently is 99 for the 2019/20 Budget Year

# **RECOMMENDATIONS**

That:

1. The report by the Executive Mayor regarding the 2020/21 Final Budget of the Waterberg District Municipality contained in the agenda be approved.

2. Council approve the Final Operating Budget for the financial year 2020/21 and indicative for the two projected outer years 2021/22 and 2022/23.

3. Council approve the multi-year operating and capital projects appropriations for the financial year 2020/21 and indicative for the two projected outer years 2021/22 and 2022/23.

4. Council approve the Tariffs reflected in Annexure 1 for Abattoir for the Budget year 2020/21.

5. Council approve the Tariffs reflected in Annexure 2 for Fire Fighting for the Budget year 2020/21.

6. Council approve the Tariffs reflected in Annexure 24 for Municipal Health Services for budget year 2020/21

7. The operating budget allocation per local municipality within the Waterberg District Municipality for Fire-Fighting Services be approved for the budget year 2020/21.

Mogalakwena Municipality - R 4 273 820

8. Note that a salary increase for councillors of 6 % has been budgeted in the 2020/21 budget year.

9. Note that a salary increase for officials and managers of 6.25 % has been budgeted in the 2020/21 budget year.

10. The 2020/21 Final Budget and IDP be submitted to National and Provincial Treasury within 10 working days from approval.

# **2020/21 BUDGET – EXECUTIVE SUMMARY**

The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPI and guidance of the MFMA Budget Circular 99, being 4.5% in 2020/21, 4.6% in 2021/22 and 4.6% in 2022/23.

The multi-year draft budget is presented to Council for approval.

**REVENUE**

Council’s main source of income is Government Grants.

## GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)

In terms of the 2020/21 Division of Revenue Bill, the following allocations are made to Waterberg District Municipality Council:



**INTEREST RECEIVED**

Interest received is income from external investments and interest on the current account. Based on the current reserves and prevailing investment rates, a provision of R 8 799 744 is made in this regard.

**ABATTOIR**

Council operates an Abattoir, which is a trading service. The trading service is supposed to break even, but is currently operating at a loss. The Abattoir has a budgeted operating loss of R 7 278 411 for 2020/21 (R 7 526 161 for 2019/20

The tariff benchmarking exercise was conducted with the three private abattoirs that are operating within Waterberg Region being, Mookgophong, Mokopane and Thabazimbi. All these abattoirs slaughter their own livestock and they determine their own tarries charged on a daily basis. Mookgophong Abattoir, Waltkon is currently not slaughtering for private clients, however if they accommodate a private person. Thabazimbi Abattoir charge R560 per cattle, whilst Pigs are slaughtered @R320.00 regardless of the weight and Sheep is charged R120.00.

Mokopane Abattoir is also not slaughtering for private clients. WDM Abattoir tariffs are currently below what the competitors are charging hence management proposal to increase the tariffs by 30%. The proposed new tariffs will be competitive against of all the private abattoirs in Waterberg District region.

A 30% tariff increase is proposed at the abattoir. The tariffs are attached per **Annexure 1**.

An amount of R 864 970 is provided for income from the abattoir disclosed as service charges on the A1 schedule.

**OTHER INCOME**

Other income refers to sundry income and recovery of tender document costs to a total budgeted amount of R 35 665.

**AIR QUALITY LICENCING**

Provision is made for the air quality licencing fee that will be levied by the Environmental Health Department in line with National Environmental Management Air Quality Act 39 of 2004. The atmospheric emission licence processing fee us regulated and gazetted by the Minister of Environmental Affairs.

An amount of R 165 000 is provided for income from the air emission licence review disclosed as other income on the A1 schedule.

The proposed increase on Fire Fighting tariffs (See attached **Annexure 2)** for 2020/21 is 30% increase. The draft tariffs includes the transport permits for dangerous goods transportation as well site inspections fee for building plans (fire protection plan). Mogalakwena local municipality which is providing the service on behalf of WDM must be encouraged to implement these particular Tariffs for the purposes of cost recovery.

No fire-fighting income has been budgeted for due to the trend of the past years where very little to no fire-fighting income was transferred to WDM, thus leading to the conclusion that any income budget for this purpose will be unrealistic.

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| **The total budgeted revenue amounts to R 150 568 379 (2019/20 - R 144 174 105). This is an increase of 4% as compared to the 2019/20 original budget, primarily due to an in increase in equitable share grant allocation for the 2020/21 financial period. For the two outer year, operational budget will increase by 3% and 3% respectively equating to a total revenue growth of 11% over the MTERF compared to 2019/20 financial year.** |

## Attached per Tables A2, A3 and A4 are details on the revenue by GFS, vote and source.

**EXPENDITURE**

# **EMPLOYEE RELATED COSTS**

The budgeted allocation for employee related costs for 2020/21 financial year totals R 122 511 226 equals 67% of the total operating expenditure. The employee related costs includes the contribution to long service awards and post-retirement medical aid actuarial valuation. Provision is made for a general increase of 6.25% for all employees. The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 has come into effect. The preparation of the 2020/21 is based on the concluded 3 year SALGA Circular No.6/2018 - Salary and Wage Collective Agreement dated 15 August 2018 and liked to inflation rate as per **MFMA Budget Circular No. 99**.

* 2020/21 Financial Year – average CPI 5% + 1.25%
* 2021/22 Financial Year - average CPI 5% + 1.25%
* 2022/23 Financial Year - average CPI 5% + 1.25%

The Environmental Health Services salaries amounts to R 19 303 441 (2019/20 - R 20 150 905) which makes up 16% (19% in 2018/19) of the total salaries.

The Fire Fighting Services salaries amounts to R 24 404 792 (2019/20 - R 22 527 150) which contributes 20% (21% in 2019/20) of the total salaries – minimal year on year increase due to relocation the appointment of 2 firefighters. This excludes the salaries budgeted in Mogalakwena local municipality for fire-fighting staff appointed by the local municipality. The District Municipality is currently in the process of relocating staff allocated to Mogalakwena local municipality to the head office. The process is planned to be finalised by the end of the 2019/20 financial period. The year on year increase is due to an amount of provision for leave for the relocation of the said staff which was not catered for in the last financial period, and cost of additional junior fire-fighters.

The Abattoir salaries amounts to R 5 050 748 (2019/20 - R 5 925 267) which makes up 4% (5% in 2019/20) of the total salaries – 10% year on year decrease. The year on year decrease is due to the exclusion of temporary slaughters which are not budgeted for in the 2020/21 financial period.

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers in terms of the WDM approved Travel Allowance Policy. There are 74 travel allowances budgeted for in comparison to a total Staff complement of 159 permanent employees (41%). No new travel allowances have been added for the 2020/21 financial year.

Budget is still provided for Provision for Leave and Provision for Officials’ Bonuses due to the GRAP disclosure requirements for annual leave and officials’ bonuses.

The total employee related costs amounts to R 122 511 225 (R 108 583 958) when including long term provisions for 2020/21) which is a 6.25% increase on 2020/21 personnel budget.

The total amount contributes 67% (19/20 – 62%; 18/19 – 58%; 17/18 – 55%; 16/17 – 59%; 15/16 – 61%; 14/15 - 52%; 13/14 – 48%) of the total operating expenditure (including operating expenditure projects on the IDP, excluding roll overs).

**REMUNERATION OF COUNCILLORS**

Councillors’ salaries and allowances are based on the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned. The budget is now compiled on a Grade 4. Provision is made for six full time councillors.

The total salaries and allowances for councillors amounts to R 9 232 857 (19/20 – R 8 556 915) and makes up 5% (19/20 – 5%; 18/19 – 5%; 17/18 – 5%; 16/17 – 5%; 15/16 – 5%; 14/15 – 5%) of the total operating expenditure, however this expenditure is subsidised by an equitable share allocation specifically for this purpose of R 6 418 000, resulting in under-funding of R 2 814 857 for the 2020/21 financial period .

**EXPENDITURE *(continued)***

**GENERAL EXPENSES**

General expenditure has been increased by an inflation rate of 4.5% with the exception of operating project expenditure. However, to support austerity measures as well as considering financial constraints faced by the municipality, no budget increases has been granted for catering and some expenditure votes have not been increased while other have been reduced.

The major general expenses are audit fees, subsistence & travel, depreciation, municipal services, annual insurance, financial system costs and security for WDM premises, Abattoir, Modimolle, Mogalakwena and Lephalale disaster centres. General expenditure also includes allocations to all the Waterberg Local Municipalities’ Disaster Centres for the operation thereof.

**REPAIRS AND MAINTENANCE**

An amount of R 4 057 573 (2019/20 – R 4 090 080) is budgeted and constitutes 2% (2019/20 - 2%) of the total operating budget. The provision is low due to the fact that we do not have infrastructure assets. This provision is mainly for buildings, vehicles and equipment.

**CONTRACTED SERVICES**

An amount of R 8 279 718 is budgeted for Contracted Services and constitutes 5% of the total operating budget. Included in the Contracted services is the fire-fighting service which is rendered on behalf of Council by the Mogalakwena Municipality as well as security service.

## MUNICIPAL HEALTH

Budget of R 20 892 274 (2019/20 - R 22 180 991) is made for Municipal Health, which is a year-on-year decrease of 6%. The year on year decrease is due to an anticipated decrease in S & T claims by the officials. This includes personnel costs for 29 officials, which consist of 1 divisional manager, 6 environmental health heads and 22 Environmental Health Practitioners; however it excludes IDP capital projects if any.

National and Provincial Government has stopped the funding of health services, nonetheless it was indicated that they will partly fund the service by providing an equitable share. As per the 2019/20 DORA, the equitable share does not include a portion specifically allocated to this service. Previously and for three years during 2013 to 2015, this service was funded with an average amount of R11 million per annum.

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| **The total operating expenditure amounts to:****Including the IDP projects expenditure portion: R 183 923 064 (2019/20 - R 170 630 430)** |

## Attached per Tables A2, A3 and A4 are details on the operating expenditure by GFS, vote and source.

## A department constitutes a vote as per the MFMA definition. The following provisions were made per department:

**EXPENDITURE *(continued)***

**EXPENDITURE PER VOTE**



In 2019/20 the top 3 expenditure budget departments were Fire Fighting (#1), Executive Support (#2) and Corporate Services (#3). This has slightly changed in 2020/21 to Fire-fighting (#1), Executive Support (#3) Corporate Services (#3), and Budget & Treasury (#4).

**IDP**

Projects are being identified in terms of Council’s priorities and will be subjected to community participation processes.

The total 2020/21 MTREF IDP budget for projects is as follows:

 2020/21 R 8 851 000

 2021/22 R 2 769 000

 2022/23 R 2 400 000

The total MTREF budget totals **R 14 020 000** of which the funding available which is summarized as follows:

 WDM Reserves R 5 400 000

 RRAMS Grant R 6 820 000

 MSIG R 800 000

 EPWP R 1 000 000

 **TOTAL R 14 020 000**

The projects requirements are outlined in Annexure 3 and are divided into operating and capital projects for the 2020/21 MTREF budget year.

There are number of projects in 2019/20 approved budget that are not completed due to the outbreak of COVID-19 which led to national lockdown and those projects amounting to **R 10 438 659** are included in Annexure 4 and they will form part of 2020/21 IDP projects.

The R 2 500 000 is included in operating budget for District Public Participation. Attached per **Table A5** are the details of the IDP by **GFS, vote and source.**

Attached per **Annexure 4 is** detailed breakdown of projects included in the IDP. The Budget is compiled on the projects and budget amounts recommended by the IDP Steering Committee.

# **2020/21 BUDGET – SUPPORTING DOCUMENTATION**

**OVERVIEW OF THE BUDGET PROCESS**

The 2020/21 IDP/Budget Process Plan was adopted by Council in August 2019.

The 2019/20 mid-year performance assessment was conducted in February 2020 which determined the 2019/20 Adjustment Budget and formed the baseline of drafting the 2020/21 Operating Expenditure budget (considering the mSCOA fundamentals, both zero-based and incremental budgeting was used to arrive at the budgeted operating expenditure).

Income amounts are based on the 2020/21 DORA issued in February 2020.

The projects prioritisation phase will be finalised in April 2020 and the complete wish list of projects together with the proposed budgeted projects will be submitted to Council in the May 2020 final budget and will be subjected to the public participation process during March to May 2020.

Feedback from the WDM website, newspaper adverts and public road shows will be considered during April and May 2020, and where possible, adjustments to the Tabled Budget will be made, where necessary.

The draft 2020/21 budget & IDP was tabled for approval on 26 March 2020, within the deadlines as stipulated by legislation.

For further information on the IDP process, including IDP/Budget steering committee and IDP rep Forum, please refer to the 2020/21 IDP item tabled separately to this report.

The Final 2020/21 budget & IDP is therefore tabled for approval on 29 June 2020, within the amended deadlines as stipulated by legislation. There were deviations from the key dates set out in the 2019/20 IDP/Budget Time Schedule tabled in Council due to national lockdown due to COVID-19 outbreak.

**OVERVIEW OF THE ALIGNMENT OF BUDGET WITH IDP**

The budget and IDP preparation process ran consecutively and joint IDP/Budget Steering Committee meetings and Representative Forum hearings was held during the year.

The main priorities of the IDP projects are listed below and were considered during the project prioritisation phase for inclusions of projects into the budget:

1. Fire Fighting Services
2. Municipal Environmental Health & Environmental Management
3. Disaster Management
4. Abattoir
5. Local Economic Development & Tourism
6. Roads & Storm Water
7. Municipal Support & Institutional Development
8. Community Participation & Good Governance
9. Land
10. Sports, Arts & Culture
11. Water & Sanitation
12. Electricity
13. Transport

Due to budget constraints all priority areas could not be accommodated in the 2020/21 budget.

**MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

The measurable performance objectives and indicators as per IDP priority areas are as follows:

Municipal Environmental Health:

- To provide municipal health and environmental services to the communities

Disaster Management:

- To coordinate and support disaster management and firefighting services.

Local Economic Development & Tourism & Land & Transport:

- To unlock and stimulate the mining, tourism and agriculture potential.

- Development and implementation of the Spatial Development Framework.

Municipal Roads & Storm water & Basic Service Delivery:

- To strengthen district capacity to provide services

Municipal Support & Institutional Development:

- To develop and build skilled and productive workforce

Abattoir:

- To strengthen district capacity to provide services

Community Participation & Good Government & Sports, Arts & Culture:

- To promote effective communication and be responsive to the needs of the community.

Social Development & Community Services:

- To provide environmental services to the community

The detailed objectives and indicators per KPA and IDP priority areas can be found in the SDBIP attached as item 9 on the index.

**FINANCIAL MODELLING & KEY PLANNING DRIVERS**

The following key factors and planning strategies have informed the compilation of the 2020/21MTREF:

* Policy priorities and strategic objectives
* 2019/20 Adjustment Budget and Performance against SDBIP
* 2018/19 audit outcome
* DORA
* Cash Flow Management Forecast for the next 3 years
* Improved and sustainable service delivery
* Sustaining the going concern of the municipality

In addition to the above, the strategic guidance given in National Treasury’s MFMA Circular 99 have been taken into consideration in the planning and prioritisation process.

**OVERVIEW OF BUDGET RELATED POLICIES**

The following budget policies are being reviewed and the revised versions, if applicable, will be approved with the final budget:

* Asset Management Policy
* Catering Policy
* Debt Collection and Credit Control Policy
* Investment Policy
* Petty Cash Policy
* Supply Chain Management Policy
* Virement Policy
* S&T Policy
* Expenditure Management Policy – New
* Funding and Reserve Policy – New
* Cost containment policy - New

**OVERVIEW OF BUDGET ASSUMPTIONS**

The equitable share formula was reviewed in the prior years to also include an allocation to WDM for councillors’ salaries and this has assisted in alleviating some of the cash flow constraints of WDM, however fire-fighting, environmental health, and disaster management services remains unfunded. The additional allocation received for Councillor Remuneration amount to R 6 418 000 in 2020/21 versus the budgeted 2020/21 Councillor Salaries of R 9 232 857. The municipality’s cash inflows are though still increasing by less than the fixed operating expenditure, mostly due to personnel related expenditure increasing by more than inflation and this constitutes 67% of the operating budget (excluding operating IDP project expenditure) if all salary related benefits are included for officials and councillors. This has necessitated restrained expenditure, especially on the IDP, to ensure that cash outflows remain within the affordability parameters of the municipality’s finances.

There are five key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

* National Government macro-economic targets;
* The general inflationary outlook in terms of MFMA Circular 99;
* The impact of municipal cost drivers;
* The grants allocated in DORA; and
* The increase in the cost of remuneration.

Inflation has been assumed at 4.5% in 2020/21, 4.6% in 2021/22 and 4.6% in 2022/23.

Salary increases has been assumed at 6.25% in 2020/21, 6.25% in 2021/22 and 6.25% in 2022/23.

For simplicity, the 2020/21 MTREF is based on the assumption that all investments are undertaken using fixed interest rates.

The rate of abattoir revenue collection is currently expressed as a 100% of annual billings. Cash flow is assumed to be 100% of billings, due to the majority of clients being cash clients, plus no provision for doubtful debt as old disputes have been written off and there are currently no new disputes or long outstanding debts.

It is estimated that a spending rate of 100% is achieved on operating expenditure and 100% on the capital programme for the 2020/21 MTREF of which performance has been factored into the cash flow budget.

It is assumed that all conditional grants will be fully spent by 30 June 2021 and all future years of the current MTREF and no roll overs have been budgeted for.

Interest on investments has been assumed at an average annual rate of 5.2 % on the basis that the total amount to be invested will reduce as the year progresses. Interest on current account has been assumed at 8.75%, which is the current prime interest rate of 9.75% minus 1% as agreed with our banking service provider.

**LEGISLATIVE COMPLIANCE STATUS**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

* + - 1. **In year reporting**

Reporting to National Treasury in electronic formats was complied with on a monthly basis within average of 10 working days. This also includes reporting to Provincial Treasury and transferring departments for conditional grants. Section 71 reporting to the Executive Mayor (within average of 10 working days) was also complied with and includes supporting documentation pertaining to material month end procedures.

* + - 1. **Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the BTO and Internal Audit. Although there have not been 5 at all times during the year, we endeavoured to have vacancies filled in internships as soon as possible. The majority of interns have been permanently absorbed in either Waterberg District Municipality or our local municipalities.

* + - 1. **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

* + - 1. **Audit Committee**

An Audit Committee has been established and is fully functional.

* + - 1. **Service Delivery and Implementation Plan**

The detail SDBIP document will be finalised for council approval in May 2020 and will be aligned and informed by the 2020/21 MTREF Budget and IDP.

* + - 1. **Annual Report**

The Annual report is compiled in terms of the MFMA and National Treasury requirements and approved within the required timeframes.

1. **MFMA Competency**

Skills assessments have been conducted in terms of the Minimum Competency Gazette and special merit cases have been registered with and approved by National Treasury for which the officials are currently in the progress of obtaining those unit standards outstanding.

1. **Policies**

All MFMA Circulars and Regulations have been considered in the review of policies to be approved with the final budget.