

ITEM: COUN 02 05/2020

DEPARTMENT OF FINANCE: *ANNUAL BUDGET FOR THE 2020/21 FINANCIAL YEAR*

(6/1/1/1 – 2020/21) (OM) (COUNCIL: 31 MAY 2020)

The Acting Director: Finance reports as follows:

The purpose of this report is to submit the annual budget for the 2020/21 financial year for approval by Council as prescribed in chapter 4 of the Municipal Finance Management Act (MFMA) and in terms of the guidelines issued by National Treasury circulars.

In compliance with section 24 of the MFMA which prescribes that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget, the final draft is submitted for approval by Council.

The Integrated Development Plan (IDP) engagements which provide basis for the budget were held on 19 November 2019. The IDP consultative process with councillors and stakeholders was on 29 November 2019 in order to comply with section 21 (2) (a)&(b) of the MFMA. The draft budget was advertised in the local newspaper on 22 May 2020 subsequent to the tabling of the draft annual budget and IDP to Council on 25 March 2020, the municipality had the following consultative processes in line with the requirements of section 23 of the MFMA. Furthermore, the budget consultative workshop with our councillors was held virtually on 26 May 2020 due to lockdown while fighting the COVID-19 pandemic.

In the preparation of the draft budget in March 2020, it was projected that revenue to be collected for the 2020/21 financial year will amount to R1.5 trillion which equates to 29.2 per cent of the Gross Domestic Product (GDP), whereas expenditure is projected to be at R1.95 trillion which is equivalent to 36 per cent of GDP. This means that there is a consolidated budget deficit of R370.5 billion or 6.8 per cent of GDP in 2020/21. The gross national debts by the end of 2020/21 is projected to be R3.56 trillion which is 65.6 per cent of GDP.

The country was declared a national disaster due COVID-19, which hit the economy of the country very hard after the adoption of the draft budget in March 2020. The COVID-19 disaster leaves uncertainties on the 2020/21 allocations to municipalities, however, we are required to make budget provisions in the 2020/21 annual budget as we are not sure when this pandemic will end. It is in the line of the above that Council is requested to consider adding R1million in the submitted budget to ensure safety of the officials and our communities as we fight this pandemic.

Furthermore, the municipality has not made provision in the 2020/21 budget on all the expenditures prohibited by the Cost Containment Policy adopted by Council. In light of prioritizing essential spending, the municipality has included in the 2020/21 an amount of R10million from the savings of the 2019/20 operational expenditure to share equally to our four (4) local municipalities towards the operation and maintenance (O&M) of their

infrastructure assets, thereby ensuring augmented service delivery within the district. The budget presented for adoption does not include allocations for capital expenditures for our local municipalities due to the depleting reserves, however, anticipating allocations in the outer years with the next budget year savings.

National Treasury issued Municipal Budget and Reporting Regulations that applied to all the municipalities and municipal entities as from 01 July 2009. Schedule A of the regulations prescribe the table of contents of the municipal budget. The required table of content according to Schedule A is as follows:

- **Mayoral Budget Speech:** - High-level summary of the budget that draws on executive summary and highlights key deliverables during the coming years;
- **Budget Related Resolutions:** - Draft resolutions must be included with the budget documentation tabled to full council;
- **Executive summary** - Must explain the financial and service delivery implications and projected financial position that the budget will have on the operations of the municipality;
- **Budget:** - The budget includes the executive summary; budget schedules – operating & capital to be approved by council; and
- **Supporting Documentations:** - Budget process overview; alignment of budget with IDP; budget related policies – overview and amendments; budget assumptions; funding of the budget; disclosure on allocations made by municipality; disclosure of salaries, allowances and benefits; monthly cash flows by source; measurable performance objectives and disclosure on implementation of MFMA as well as other legislation.

1. 2020/21 financial year project rollovers that were not completed due to lockdown are as follow:

Municipality	Project	Amount rolled over
France Baard District	SDF Review	R 232,500
Dikgatlong Local	Land Use Survey	R 390,000
France Baard District	Architectural (Disaster Management Satellite Centre in Jampkemp)	R 456,290
France Baard District	Review of Disaster Management Plan	R 520,000
France Baard District	Machinery & Equipment for SMMEs	R 850,000
France Baard District	LED Youth Entrepreneur Training	R 160,000
France Baard District	Emerging Farmers Training	R 90,000
Phokwane Local	Infill Development	R 170,000

The operating and capital budget for the 2020/21 financial year is attached for consideration and approval by Council (bound separately).

The Municipal Manager, in consultation with the Acting Director: Finance, recommends as follows:

RECOMMENDATIONS:

- 1. Council resolves that the annual budget of the municipality for the financial year 2020/21 as per budget related resolutions of the budget document and indicative for the projected outer years 2021/22 and 2022/23 be approved as set out in the following schedules:**
 - 1.1 Budget Summary – Table A1 (Pg. B 1);**
 - 1.2 Budgeted Financial Performance (Revenue and Expenditure by standard Classification) –Table A2 (Pg. B2);**
 - 1.3 Budgeted Financial Performance (Revenue and Expenditure by standard Classification) – Table A2 (Pg. B3);**
 - 1.4 Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table A3 (Pg. B4);**
 - 1.5 Budgeted Financial Performance (revenue and expenditure by municipal vote) A – Table A3 (Pg. B5-B6);**
 - 1.6 Budgeted Financial Performance (revenue and expenditure) –Table A4 (Pg B7);**
 - 1.7 Budgeted Capital Expenditure by vote, standard classification and funding – Table A5 (Pg. B8);**
 - 1.8 Budgeted Capital Expenditure by vote, standard classification and funding – Table A5 (Pg. B9);**
 - 1.9 Budgeted Financial Position – Table A6 (Pg. B10);**
 - 1.10 Budgeted Cash Flows Table A7 (Pg. B11);**
 - 1.11 Cash backed reserves/accumulated surplus reconciliation – Table A8 (Pg. B12);**
 - 1.12 Asset Management – Table A9 (Pg. B13);**
 - 1.13 Basic service delivery measurement table A10 (Pg. B14).**
- 2. Council notes the approved amended Integrated Development Plan for the budget year 2020/21 as a separate item to Council;**

3. Council approves the measurable performance objectives for revenue, expenditure and capital from each source reflected in Tables SA4 to SA6 for the budget year 2020/21; and
4. Council notes that the SDBIP will be tabled to the Executive Mayor within the prescribed time frame as stipulated in the MFMA.

RESOLVED:

1. Council resolved that the annual budget of the municipality for the financial year 2020/21 as per budget related resolutions of the budget document and indicative for the projected outer years 2021/22 and 2022/23 be approved as set out in the following schedules:
 - 1.1 Budget Summary – Table A1 (*Pg. B 1*);
 - 1.2 Budgeted Financial Performance (Revenue and Expenditure by standard Classification) – Table A2 (*Pg. B2*);
 - 1.3 Budgeted Financial Performance (Revenue and Expenditure by standard Classification) – Table A2 (*Pg. B3*);
 - 1.4 Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table A3 (*Pg. B4*);
 - 1.5 Budgeted Financial Performance (revenue and expenditure by municipal vote) A – Table A3 (*Pg. B5-B6*);
 - 1.6 Budgeted Financial Performance (revenue and expenditure) – Table A4 (*Pg B7*);
 - 1.7 Budgeted Capital Expenditure by vote, standard classification and funding – Table A5 (*Pg. B8*);
 - 1.8 Budgeted Capital Expenditure by vote, standard classification and funding – Table A5 (*Pg. B9*);
 - 1.9 Budgeted Financial Position – Table A6 (*Pg. B10*);
 - 1.10 Budgeted Cash Flows Table A7 (*Pg. B11*);
 - 1.11 Cash backed reserves/accumulated surplus reconciliation – Table A8 (*Pg. B12*);
 - 1.12 Asset Management – Table A9 (*Pg. B13*);
 - 1.13 Basic service delivery measurement table A10 (*Pg. B14*).
2. Council approved amended Integrated Development Plan for the budget year 2020/21 as a separate item to Council;
3. Council approved the measurable performance objectives for revenue, expenditure and capital from each source reflected in Tables SA4 to SA6 for the budget year 2020/21; and

Council noted that the SDBIP will be tabled to the Executive Mayor within the prescribed time frame as stipulated in the MFMA.



Ms. ZM Bogatsu
Municipal Manager



Date