****

**NGQUSHWA LOCAL MUNICIPALITY**

**(EC126)**

**DRAFT MTREF BUDGET**

2020/2021

TABLE OF CONTENTS

PART ONE

1. EXECUTIVE SUMMARY ………………………………………..3
2. PURPOSE………………………………………………………………6
3. LEGAL STATUS …………………………………………………….6
4. RECOMMENDATIONS ………………………………………….6
5. SUMMARY OF A1 SCHEDULES ……………………………8
6. 2020/2021 DRAFT TARRIF STRUCTURE ……….....15

PART TWO

1. EC126 A1 SCHEDULE 2020/2021 ……………………..18

PART THREE

1. MUNICIPAL QUALITY CERTIFICATE…………………….40

PART ONE

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| **EXECUTIVE SUMMARY** |

In terms of section 227 of the Constitution, local government is entitled to an equitable share of nationally raised revenue to enable it to provide basic services and perform its allocated functions. The local government equitable share is an unconditional transfer that supplements the revenue raised by municipalities (including property rates and service charges). The equitable share provides funding for municipalities to deliver free basic services to poor households and subsidises the cost of administration and other core services for those municipalities that have the least potential to cover these.

The Constitution gives local government substantial own-revenue-raising powers (particularly through property rates and surcharges on services). Municipalities are expected to fund most of their own administrative costs and cross-subsidise basic services for indigent households. The budget must indicate all allocations from made to the municipality through Division of Revenue Act (DoRA).

In view of the aforementioned, the following budget indicators and tables represent a consolidated overview of the proposed 2020/21 Medium-term Revenue and Expenditure Framework for Ngqushwa Local Municipality:

**Consolidated overview:**

1. **Introduction**

Ngqushwa Municipality has implemented mSCOA I July 2017, this means that the municipality has complied with the treasury set deadline to go live in July 2017.With this changed reform the municipality got and used the opportunity to align the budget to each function and individual items, and justifying the actual needs per item.

1. **National Treasury Circulars**

Municipal Budget Circular no. 98 & 99 for the 2020/21 MTREF

1. **Macroeconomic performance and projections 2020 to 2023**

|  |  |  |  |
| --- | --- | --- | --- |
| 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
| 4.1% | 4.5% | 4.6% | 4.6% |

1. **Local Government Bargaining Council**

Collective Bargaining Council Agreement for 2018/19 to 2020/2021 financial year is in place and a provision of 6.5% was made for salaries

The Budget pertaining to Employee Related Costs will be performed by the Budget Office in conjunction with HR. (Current as well as proposed new positions).

1. **Municipal Running and Operating costs.**

Operating expenditure budget was increased by 4.5%

1. **Revenue**

Ngqushwa municipality must prepare an annual funded budget in terms of Sect 18 of the MFMA and sect 10 (6) of the Municipal Budget and Reporting Regulations.

**OPERATING BUDGET**

|  |  |  |  |
| --- | --- | --- | --- |
| **Operating Budget** | **ORIGINAL BUDGET 2019/20** | **ADJUSTED**  **BUDGET 2019/20** | **OPERATING**  **BUDGET 2020/21** |
| Total Revenue | R 177 270 813 | R 174 260 308 | R 189 589 133 |
| **Less**: Operating Expenditure | R 132 086 936 | R 143 809 667 | R 154 116 682 |
| **Less**: Capital Transfers | R 30 448 800 | R 30 450 641 | R 35 472 452 |
| Surplus | **(R 14 735 078)** | **(R 0)** | **R 0** |

Included in the abovementioned “Total Revenue” 2020/2021, is an amount of R31 562 100 that relates to MIG and DOE grants.

**CAPITAL BUDGET**

|  |  |  |  |
| --- | --- | --- | --- |
| **Capital Budget** | **ORIGINAL CAPITAL BUDGET 2019/20** | **ADJUSTED CAPITAL**  **BUDGET 2019/20** | **CAPITAL**  **BUDGET 2020/21** |
| Capital Budget | R 30 448 800 | R 30 450 641 | R 35 472 452 |
| **Sources of Funding** |  |  |  |
| MIG/DOE | R 26 538 800 | R 26 538 800 | R 31 562 100 |
| Own Funds | R 3 910 000 | R 3 911 841 | R 3 910 352 |
| **Total Cap Program** | **R 30 448 800** | **R 30 450 641** | **R 35 472 452** |

* The 2020/21 Total Revenue has increased by R **15 328 825** compared to 2019/20 Adjustments budget. This is due to the 4.5% tariff increase as well as the implementation of a new General Valuation as from 1 July 2019 and the increase in the number of refuse collection consumers.
* The operating expenditure for 2020/21 financial year has increased by **R 10 307 015** due to the 4.5% increase allowed for general expenditure and 6.5% increase allowed for salary related costs, by National Treasury
* The capital budget has increased by **R 5 021 811** for 2020/21 compared to Adjustment budget, due to the increase in the INEP allocation.

**2. Purpose**

The purpose of the report is to present the draft MTREF Budget for 2020-2021 financial year to Council for approval.

3. **Legal and Statutory requirements**

In terms of Section 24 (1) of the MFMA 56 of 2003, the Mayor of a Municipality must for each financial year table the draft Annual budget at a Council meeting at least 90 days before the start of the financial year.

**4. Recommendations:**

It is recommended that:

* The Council of Ngqushwa Local Municipality approve and adopt in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003):
* The Draft mScoa compliant budget of the Municipality for the financial year 2020/21 and two outer years, and the single year capital appropriations as set out in the following tables:
* Table A2 - Budget Financial Performance (revenue and expenditure by standard classification)
* Table A3 - Budget Financial Performance (revenue and expenditure by municipal vote)
* Table A4 - Budget Financial Performance (revenue and expenditure)
* Table A5 – Budgeted Capitalization and funding
* Table A6 – Budget Statement of Financial Position
* Table A7 – Budget Statement of Cash Flow
* Table A8 – Budget Cash backed reserves reconciliation
* Table A9 – Budget Asset Management

The Council of Ngqushwa Local Municipality, act in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following with effect from 1 July 2020:

* 2020/2021 Draft tariffs

Approve the following draft budget related Policies in line with section 17

(2) (e) when Annual Budget is tabled in terms of 24 2(v):

* Draft reviewed budget policy
* Draft reviewed Virement policy
* Draft reviewed Credit control, debt Collection, Impairment and Bad Debt Write Off policy
* Draft reviewed Expenditure policy
* Draft reviewed Property rates policy
* Draft reviewed Indigent policy
* Draft reviewed Supply Chain Management policy
* Draft reviewed Asset Management policy
* Draft reviewed Insurance policy
* Draft reviewed tariff policy
* Draft reviewed subsistence and travel allowance policy

**6. TARIFF SUMMMARY 2020/21**

* The Municipality is generating its internal revenue from rates, refuse, rentals and other sources.

**2020/21 Draft Tariff Increases:**

* The estimated increase for draft Rates tariffs for 2020/21 is 4.5% as set by National Treasury, this percentage is in line with inflation rate. New tariffs for Waste management and planning have been included in the Tariff Structure for 2020/21. All other tariffs have increased by 4.5%.
* The tariffs depicted in the following tables are excluding VAT:



















Exclusive of VAT

**PART TWO**

**7. EC126 A1 SCHEDULE 2020-2021 SUMMARY**

The table below indicates the financial performance of the Municipality i.e. revenue (excluding capital grants) and expenditure by type. Capital recognised capital are showed on the bottom of the table.

Table A1 Budget Summary

Table A2 is the summary of revenue and expenditure by municipal vote



Table A3 is the summary of revenue and expenditure by municipal vote



The table A4 below indicates indicate the budget financial performance (revenue and expenditure by source)



* The above Table indicates the revenue by source for the municipality. From the above table one can see that the main sources of revenue for the municipality are:

1. Property rates
2. Service charges (refuse removal)
3. Investment revenue
4. Operational transfer recognised as per DORA Bill
5. And other revenue (i.e traffic fines, agency fees, toilets, hall hire, building plans licence , and permits etc)

Table A5 Summary of Capital expenditure by vote





Table A6 Budget statement of Financial Position



Table A7 Budget statement of cash flow



Table A8 Cash backed reserves reconciliations



Table A9 Budget Asset Management



**Other Supporting table schedules**









































































**PART THREE**

**8. MUNICIPAL MANAGER’S QUALITY CERTIFICATE**

I **Misiwe M. Mpahlwa** the **Municipal Manager** of **Ngqushwa Local Municipality (EC 126)** certify that the Draft Budget and supporting documentation for the 2020/21 financial year, have been prepared in accordance with the Municipal Finance Management Act and the Regulations made under the Act; and that the Draft Budget and supporting documentations are consistent with the Draft Integrated Development Plan of the Municipality.

Signature: …………………………..

Date: …………………………..