

DRAFT BUDGET 2020/21 AND MTREF

1. PURPOSE

The purpose of the report is to present to Council the 2020/21 Municipal Draft Budget and MTREF.

2. LEGISLATIVE FRAMEWORK

2.1 Section 16 of the Municipal Finance Management Act, 2003 (MFMA) required that “the council of the municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

An annual budget-

- 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 of each of those financial years.

2.2 This will allow the municipality to ensure that a credible budget is compiled.

The following is an overview of the 2020/21 Final Draft Budget and MTREF

Description	Approved Adjustment Budget 2020/21	Draft Budget 2020/2021	Budget 2021/2022	Budget 2022/2023
RAND				
Revenue By Source				
Property rates	44 209 522	46 198 950	48 324 102	50 547 011
Property rates - penalties & collection charges	2 200 000	2 299 000	2 404 754	2 515 373
Service charges - electricity revenue	137 940 000	146 547 456	155 692 017	165 407 199
Service charges - refuse revenue	33 370 263	34 871 925	36 476 034	38 153 931
Rental of facilities and equipment	1 400 000	1 463 000	1 530 298	1 600 692
Interest earned - external investments	400 000	418 000	437 228	457 340
Interest earned - outstanding debtors	24 000 000	25 080 000	26 233 680	27 440 429
Fines	258 509	270 142	282 568	295 566
Licences and permits	5 068 028	5 296 089	5 539 709	5 794 536
Transfers recognised - operational	52 381 000	55 346 950	57 291 605	60 098 021
Other revenue	5 500 000	5 747 500	6 011 885	6 288 432
Gains on disposal of PPE	4 752 000	-	-	-
Total Revenue	311 479 322	323 539 013	340 223 881	358 598 530
Expenditure By Type				
Employee related costs	90 000 000	95 850 000	100 450 800	105 272 438
Remuneration of councillors	8 006 400	8 486 784	8 894 150	9 321 069
Debt impairment	2 568 723	2 684 316	2 807 794	2 936 953
Depreciation & asset impairment	63 767 196	66 636 720	69 702 009	72 908 301
Finance charges	7 000 000	7 315 000	7 651 490	8 003 459
Bulk purchases	52 800 000	55 176 000	57 714 096	60 368 944
Repairs & maintenance	14 020 000	14 650 900	15 324 841	16 029 784
Contracted Services	8 125 000	13 500 000	14 121 000	14 770 566
Transfers and grants	10 907 747	9 946 950	10 404 510	10 883 117
Other expenditure	22 000 000	24 428 350	25 600 911	26 829 755
Loss on disposal of PPE				
Total Expenditure	279 195 066	298 675 019	312 671 600	327 324 386
Surplus/(Deficit)	32 284 256	24 863 993	27 552 280	31 274 145

2020/21 Capital Budget has been budgeted as follows:

Source of Funding	Type	Draft Budget 2020/21 R'000	Budget 21/22 R '000	Budget 22/23 R'000
National Government	MIG	16 024	17 057	17 813
National Government	INEP	4 829	10 136	14 960
Internal Funded Projects	Own		9 000	
<ul style="list-style-type: none"> ▪ Service Delivery Vehicle ▪ Repairs & Rehabilitation of Roads 		4 500 15 000		
Total		R 40 353	R 36 193	R 32 773

3. OVERVIEW OF THE DRAFT BUDGET 2020/2021- 2022/2023

The Draft Budget has a surplus of R 24 863 993 for the 2020/21 financial year

REPAIRS AND MAINTENANCE

Municipal Repairs and Maintenance	14 650 900
TOTAL	14 650 900

TRANSFER AND GRANTS

Transfer Recognised Operational (EPWP,DEDEAT, FMG & DSRAC))	9 946 950
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FMG	3000 000
EPWP	1 324 000
DSRAC	2 622 950
DEDEAT	3000 000
TOTAL	9 946 950

TRANSFER RECOGNISED OPERATIONAL

Equitable Share	45 400 000
FMG	3000 000
EPWP	1 324 000
DSRAC	2 622 950
TOTAL	52 346 950

RECOMMENDATIONS

4. OVERVIEW OF THE DRAFT BUDGET 2020/2120- 2021/2022

Budget Policy Imperatives as guided by the Treasury Circular 99, inter alia our budget.

The total Draft Budget has a surplus of **R 24 863 993** for the 2020/21 financial year

4.1 Budget Policy Parameters

4.1.1 Employee costs will be limited to 32% of our operating budget.

4.1.2 Repairs and Maintenance will be 5% of the expenditure.

4.1.3 The internal generated budget for Capital amounts is R4.5M will be utilised to purchase service delivery vehicle.

4.1.4 Budget has made provision for Salary Increment of 6.25% . .

4.1.5 Cost saving measures will be introduced within the parameters of the revenue enhancement measures key to these measures would be following inter alia:

- Minimise overtime except on extra-ordinary circumstances
- Minimise / eliminate the distribution losses.
- Streamline the procurement through the procurement plan
- Purify our indigent register etc

5. RECOMMENDATIONS

Therefore, it is recommended that:

- 5.1 Council note the Draft Budget for 2020/21 and MTREF and Budget Related Policies
- 5.2 Council to note the Draft Tariffs for 2020/21 Financial Year.
- 5.3 Council note the following budget related policies;
 - 5.3.1 Draft Inventory Management Policy 2020/21
 - 5.3.2 Draft Credit Control and Debt Collection Policy 2020/21
 - 5.3.3 Draft Virement Policy 2020/21
 - 5.3.4 Draft Cash Management and Investment Policy 2020/21
 - 5.3.5 Draft Supply Chain Management Policy 2020/21
 - 5.3.6 Draft Unauthorized, Irregular, Fruitless and Wasteful Expenditure 2020/21
 - 5.3.7 Draft Budget Policy 2020/21
 - 5.3.8 Draft Asset Management Policy 2020/21
 - 5.3.9 Draft Property Rates Policy 2020/21
 - 5.3.10 Draft Grant Policy 2020/21
 - 5.3.11 Draft Indigent Policy 2020/21
 - 5.3.12 Draft Tariff Policy 2020/21
 - 5.3.13 Draft Debtors Impairment and Write-Off Policy 2020/21
 - 5.3.14 Draft Funding and Reserve Policy 2020/21
 - 5.3.15 Draft Contract Management Policy 2020/21
 - 5.3.16 Draft TARIFF BY-LAW IYM 2020-21
 - 5.3.17 Draft Incentive Policy 2020-21
- 5.4 Cognizance be taken of the operations budget schedules and the capital budget schedules attached as Annexure "A" referred as A-Schedule.
- 5.5 Cognizance be taken of MFMA Circular No.99 issued by National Treasury.