

8. **2019/20 TO 2021/22 FINAL MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS** **(6/1/1/34)LCM**
(Finance)

PURPOSE:

1. The purpose of this report is to submit to council in terms of section 16(2) of The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) the final 2019/20 budget for approval.

BACKGROUND:

1. In terms of section 16(2) of the MFMA 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.

2. Section 24 of the MFMA provides as follows:

“(1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

(2) An annual budget-

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

- (i) imposing any municipal tax for the budget year;*
- (ii) setting any municipal tariffs for the budget year;*
- (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;*
- (iv) approving any changes to the municipality’s integrated development plan; and*
- (v) approving any changes to the municipality’s budget related policies.”*

3. MFMA Circular 58, 59, 67, Annexure to Circular 67, Circular 70, 72, 74, 78, 85, 86 and Instruction 1 of 2013/2014 and the Local Government: Municipal Budget and reporting regulations (Government gazette 32141) provides guidance on the content and format for the municipal budget documentation for the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF). This format has been used to compile Mogalakwena municipality’s 2019/20 final multi-year budget.
4. Section 53(1)(c)(ii) of the MFMA provides that the mayor must take all reasonable steps to ensure that the SDBIP’s and budget implementation plan is approved by the Mayor within 28 days after the approval of the budget.

5. The Mayor will deliver her budget speech in the council meeting to take place on 28 May 2019, to approve the final Medium Term Revenue and Expenditure Framework.

FINANCIAL IMPLICATIONS:

Section 18 of the MFMA outlines how the budget must be funded. Section 18 of the MFMA states:

- (1) An annual budget may only be funded from-
 - (a) Realistic anticipated revenues to be collected;
 - (b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - (c) Borrowed funds, but only for the capital budget referred to in section 17(2).

LEGAL IMPLICATIONS:

Compliance with section 215(3) of the Constitution, MFMA and chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

RECOMMENDED:

THAT

- a) the final annual budget for the financial years 2019/20 to 2021/22 as set out in the following tables and schedules be approved:
 - i) Budget summary reflected as table A1 (attached as page 300).
 - ii) Budgeted Financial Performance (revenue and expenditure by standard classification reflected as table A2 (attached as pages 301 to 304).
 - iii) Budgeted Financial Performance (revenue and expenditure by municipal vote) reflected as table A3 (attached as pages 305 to 308).
 - iv) Budgeted Financial Performance reflected as table A4 (attached as page 309).
 - v) Budgeted Capital Expenditure by vote, standard classification and Funding reflected as table A5 (attached as pages 310 to 313)
 - vi) Budgeted Financial Position reflected as table A6 (attached as page 314)
 - vii) Budgeted Cash Flows reflected as table A7 (attached as page 315)
 - viii) Cash backed reserves/ accumulated surpluses reconciliation reflected as table A8 (attached as page 316)
 - ix) Asset Management reflected as table A9 (attached as pages 318 to 320)

- x) Basic Service Delivery Measurement reflected as table A10 (attached as page 321)
 - xi) Supporting information, charts and explanations of trends and anomalies for each table reflected as table SA1 – SA 38 (attached as pages 322 to 388)
- b) council note that the budget tables and schedules in a) *supra* are compiled in version 6.1 A Schedule as required by National Treasury in terms of MFMA circular 86.
- c) the final 2019/20 to 2021/20 capital budget attached as pages 389 to 394 be approved.
- d) in terms of section 14 of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) the assessment rates reflected in Annexure A attached as pages 395 to 398 be approved for the budget year 2019/20.
- e) in terms of section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) the tariffs and charges reflected in Annexure B to G attached as pages 399 to 419 be approved for the budget year 2019/20.
- f) in terms of section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) a proposed increase of 13.07% on electricity tariffs as reflected in Annexure H attached as page 420 , be approved and implemented from 01 July 2019 or as soon as possible thereafter upon approval by the National Energy Regulator of South Africa.
- g) the proposed water tariff increase of 8.5% be approved. The tariff confirmation letter from Lepelle-Northern Water is attached as pages 421 to 422.
- h) the following policies as attached be approved for the budget year 2019/2020:
- Tariff Policy attached as pages 423 to 435;
 - amended Rates Policy attached as pages 436 to 454;
 - amended Credit Control and Debt Collection Policy attached as pages 455 to 465;
 - amended Indigent Policy attached as pages 466 to 471;
 - Investment and Cash Management Policy attached as pages 472 to 486;
 - amended Asset Management Policy attached as pages 487 to 531;
 - amended Supply Chain Management Policy attached as pages 532 to 589;
 - Irregular, Fruitless and Wasteful Expenditure Policy attached as pages 590 to 594;
 - Expenditure Policy and Procedure Manual attached as pages 595 to 603;
 - Virements Policy attached as pages 604 to 611;
 - Bad debts policy attached as pages 612 to 629;
 - Funding and reserves policy attached as pages 630 to 634;

- i) Transfers and virements of savings in respect of the operating and capital budget during the budget year be limited to expenditure within the same vote and expenditure category. Any transfers and virements between different votes and must be approved by the Mayor.
- j) the approved 2019/20 to 2021/22 final budget be submitted to National Treasury and Provincial Treasury in electronic and hard-copy format by 11 June 2019.
- k) council note that the municipality became mSCOA compliant by 01 July 2017. Failure by the municipality to be MSCOA compliant may result in National Treasury withholding some grants and this will affect the municipality's ability to fund some of its budgeted expenditure items as the municipality is 60% grant dependent.
- l) interest on all amounts in arrears be charged at the rate determined from time to time in terms of the provisions of the Prescribed Rate of Interest Act, 1975 (Act 54 of 1975) or any other relevant Act.
- m) council notes that section 53(1)(c)(ii) of the MFMA provides that the Mayor take all reasonable steps to ensure that the municipality's Service Delivery and Budget Implementation Plan is approved by the Mayor within 28 days after the approval of the budget.
- n) council notes that an amount of R72 million is allocated for the finalization of the waste water treatment plant. The funding is provided by IvanPlats in terms of the agreement signed with the municipality.
- o) council notes that the job evaluation is still in progress and the results once finalized will have an impact on the budget of the municipality. R 1 000 000 has been budgeted for the job evaluation process in the 2019/2020 financial year.
- p) council notes that there is an increase in demand for financial resources to fund municipal programmes and operational activities. There is an urgent need to formulate a revenue enhancement strategy as well as embarking on a cost cutting exercise to be able to have a sufficiently funded budget.
- q) if a consumer is in arrears on his rates, levies and other services the selling of pre-paid electricity/water be reduced to 30% of the amount paid and the 70% be allocated to the arrear account until the full outstanding amount has been paid or an installment agreement has been signed. If the consumer defaults on the installment agreement the selling of pre-paid electricity/water again be reduced with 70% with immediate effect. The defaulting consumers will also be prohibited from renewing their vehicle license registrations.
- r) if a consumer is in arrears on his/her rates, taxes and other services, the municipality not approve the consumer's building plans and installation of prepaid water meters as well as all town planning applications until the account is settled.

s) the following indigent welfare package for 2019/20 be approved:

Package Compilation for Indigent	18/19 R(Vat included)	19/20 R(Vat included)
Rates – R100 000 Valuation	48.45	51.36
Refuse (up to 500 m2)	59.25	62.81
Sewage (up to 500 m2)	32.34	34.28
Electricity – 50kwh	45.72	51.69
Water – 6kl	92.61	100.48
Total indigent package per month	278.37	300.62

t) the following be adhered to:

1. printing and stationery – no glossy prints, pamphlets and no stock piling of any stationery;
2. no printing and procuring of paraphernalia, like caps, t-shirts, etcetera;
3. no overnight accommodation unless approved by the municipal manager;
4. maximize passenger capacity per vehicle for all trips;
5. no farewell functions to be financed by Mogalakwena Municipality

u) only water (6kl) will be provided for funerals at no cost to the person requesting the service.

v) no official or councilor be authorized to sleep-out within a radius of 100km from the municipality except under exceptional cases and on approval by the Municipal Manager. This is to reduce the cost of travelling and subsistence for the municipality.

w) no sector department infrastructure projects to be accepted by the municipality without additional funds being allocated for the provision of bulk services and no new township development be approved due to lack of resources to provide bulk services.

x) all positions that become vacant during the 2019/2020 financial year not be advertised without the prior approval of the Municipal Manager. The Municipal Manager in making his decision, must assess whether the position is critical or not in order to cut costs on the operational budget.

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- y) council notes that R15 000 000 has been budgeted for the acquisition of smart meters in the 2019/2020 financial year. Smart meters are part of the municipality's initiative to enhance revenue collection.
- z) roll-over requests for unspent conditional grants in 2018/2019 be done in accordance with the conditions set out in MFMA circular 67.
- aa) point 6.6(7) of circular 72 which indicates that no roll over requests will be considered from municipalities with vacant or acting chief financial officers, be noted.
- bb) Circular 93 and 94 attached as pages 635 to 673 be noted.