

**FINAL 2020/21 TO 2022/23 MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK: 2020/21 FINANCIAL YEAR (6/1/1/34)SM
(Finance)**

PURPOSE:

1. The purpose of this report is to submit to council in terms of section 24(2) of The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) the Medium Term Revenue and Expenditure Framework(MTREF) Budget for 2020/2021 - 2022/2023 financial years for approval.

BACKGROUND AND LEGISLATIVE REQUIREMENTS:

1. 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-

- i. must be approved before the start of the budget year;*
- ii. is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*

(b) 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.”*
- (vi) Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 states that:*

2. In accordance with Chapter 4 of the Municipal Systems Act—

- (a) (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”

3. MFMA Circular 58, 59, 67, Annexure to Circular 67, Circular 70, 72, 74, 78, 85, 86, 89, 91,93, 94,98,99 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 2020/21 Medium Term Revenue and Expenditure Framework (MTREF). This format has been used to compile Mogalakwena municipality's 2020/21 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. Section 7.1 of the MFMA circular 89 however stipulates that the Municipal Manager must submit to National and Provincial Treasuries, the draft SDBIP together with the annual budget.
5. Some compliance dates for tabling and adoption of budgets were relaxed as per gazette 43181 due to COVID 19 regulations. Annexure to circular 99 was also issued indicating specific dates affected which included the tabling, adoption and approval of budgets

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).

The operational budget for 2020/2021 stands at **R1.08billion** and the capital budget stands at **R326.3m**

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).

The 2020/21 MTREF Budget be implemented in Compliance with the Municipal Finance Management Act of 2003 and MRRR.

RECOMMENDED:

THAT

- a) the annual budget for the financial years 2020/21 to 2022/23 as set out in the following tables and schedules be approved:
 - i) Budget summary reflected as table A1 (attached as page)
 - ii) Budgeted Financial Performance (revenue and expenditure by standard classification reflected as table A2 (attached as pages to)
 - iii) Budgeted Financial Performance (revenue and expenditure by municipal vote) reflected as table A3 (attached as pages to)
 - iv) Budgeted Financial Performance reflected as table A4 (attached as page)
 - v) Budgeted Capital Expenditure by vote, standard classification and Funding reflected as table A5 (attached as pages to)
 - vi) Budgeted Financial Position reflected as table A6 (attached as page)
 - vii) Budgeted Cash Flows reflected as table A7 (attached as page)
 - viii) Cash backed reserves/ accumulated surpluses reconciliation reflected as table A8 (attached as page)
 - ix) Asset Management reflected as table A9 (attached as page)
 - x) Basic Service Delivery Measurement reflected as table A10 (attached as page)
 - xi) Supporting information, charts and explanations of trends and anomalies for each table reflected as table SA1 – SA 38 (attached as pages to)
- b) Note that a Financial Recovery Plan has been drafted which incorporate revenue enhancement strategies which formed the basis of the 2020/21 budget and will be implemented in the 2020/21 financial year in order allow the municipality to remain financially viable and ensure funded budget.
- c) council note that the budget tables and schedules in a) supra are compiled in version 6.2 A Schedule as required by National Treasury in terms of MFMA circulars issued.

- d) The final 2020/21 to 2022/23 capital budget attached as pages ____ to ____ be approved
- e) 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 ____ to ____ be approved for the budget year 2020/21.
- f) 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 ____ to ____ be approved for the budget year 2020/21.
- g) in terms of section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) a proposed increase of 8.1% on electricity tariffs as reflected in Annexure H attached as pages ____ to ____, be approved and implemented from 01 July 2020 subject to approval by the National Energy Regulator of South Africa.
- h) the proposed water tariff increases of 8.5% be approved subject to final directive by Lepelle-Northern Water.
- i) the following policies as attached be approved for the budget year 2020/2021:
 - amended Tariff Policy attached as pages ____ to ____;
 - amended Rates Policy attached as pages ____ to ____;
 - Credit Control and Debt Collection Policy attached as pages ____ to ____;
 - amended Indigent Policy attached as pages ____ to ____;
 - Investment and Cash Management Policy attached as pages ____ to ____;
 - amended Asset Management Policy attached as pages ____ to ____;
 - amended Supply Chain Management Policy attached as pages ____ to ____;
 - Irregular, Fruitless and Wasteful Expenditure Policy attached as pages ____ to ____;
 - Amended Virements Policy attached as pages ____ to ____;
 - Bad Debt Write Off Policy attached as pages ____ to ____;
 - Funds and reserve policy attached as pages - to -
 - New cost containment policy attached as pages - to -
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- j) the approved 2020/21 to 2022/23 budget be submitted to National Treasury and Provincial Treasury in electronic format by 10 July 2020.
- k) the indigent welfare package for 2020/21 be approved:
- l) roll-over requests for unspent conditional grants from the 2019/20 be done in accordance with the conditions set out in section 5.1 of the MFMA circular 99.
- m) Circular 98 and 99 together with annexures attached as pages ____ to ____ be noted.