

EXTRACT FROM THE COUNCIL MEETING HELD ON 27 MAY 2019

Item A337. 27.05.2019

2019-20 TO 2021/2022 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS (Ref.:6/1/1/B)

CF Hoffman: Chief Financial Officer

PURPOSE OF REPORT

The purpose of the report is to submit the budget for 2019 / 2020 MTREF to Council for consideration of approval.

BACKGROUND

In terms of section 16 of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003) council must approve an annual budget before the start of the financial year.

LEGAL FRAMEWORK

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

Municipal budgets

16. (1) The Council of a municipality must for each year approve an annual budget for the municipality before the start of the financial year.
(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.

Contents of annual budgets and supporting documentation

17. (1) An annual budget of a municipality must be a schedule in the prescribed format—
(a) setting out realistically anticipated revenue for the budget year from each revenue source;
(b) appropriating expenditure for the budget year under the different votes of the municipality;
(c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
(d) setting out—
(i) estimated revenue and expenditure by vote for the current year; and
(ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
(e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.

(3) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:

- (a) Draft resolutions—
 - (i) approving the budget of the municipality;
 - (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
 - (iii) approving any other matter that may be prescribed;
- (b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
- (c) a projection of cash flow for the budget year by revenue source, broken down per month;
- (d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
- (e) any proposed amendments to the budget-related policies of the municipality;
- (f) particulars of the municipality's investments;
- (g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;
- (h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
- (i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
- (j) particulars of any proposed allocations or grants by the municipality to—
 - (i) other municipalities;
 - (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
 - (iii) any other organs of state; (iv) any organisations or bodies referred to in section 67(1);
- (k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—
 - (i) each political office-bearer of the municipality;
 - (ii) councillors of the municipality; and
 - (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
- (l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of—
 - (i) each member of the entity's board of directors; and
 - (ii) the chief executive officer and each senior manager of the entity; and (m) any other supporting documentation as may be prescribed.

22. Publication of annual budgets –

- (1) Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must—
 - (a) in accordance with Chapter 4 of the Municipal Systems Act—
 - (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.

23. Consultations on tabled budgets –

- (1) When the annual budget has been tabled, the municipal council must consider any views of—
 - (a) the local community; and
 - (b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (2) After considering all budget submissions, the council must give the mayor an opportunity—
 - (a) to respond to the submissions; and
 - (b) if necessary, to revise the budget and table amendments for consideration by the council.
- (3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.
- (4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

COMMENTS

The draft 2019/20 Medium Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules, which have been compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), have been distributed after tabling it in the Council meeting of 25 March 2019, while a notice has been placed in the local newspapers to invite the public/community to submit comments on the draft/tabled budget.

Input from Provincial Treasury

Provincial Treasury has submitted their 2019 LGMTEC Assessment Report on 24 April 2019 and the municipal respond was discussed with PT on 3 May 2019. The following are highlighted:

- (a) The 2019/20 budget need to be revised in regards to supporting document SA 35 for “contracts with future budgetary implications” which must be completed while a paragraph should be included in the budget report.
- (b) In terms of the credibility and sustainability of the municipality did Provincial Treasury highlighted the following in regards to the “Fire Station” capital project:
 - *The Municipality must exercise its mandate to ensure the safety of communities however the affordability should be assessed. R2.9 million will be invested in a fire station from own funds of which limited return will be received. This results in depletion of reserves, impacting on the future sustainability of the Municipality to deliver services. Provincial Government will fund the Fire Safety plan aiming to foster the Whole of Society Approach by ensuring the safety of all through partnerships across all levels of government.*
 - *It is imperative to ensure future sustainability and maintain healthy liquidity ratios by managing expenditure in line with available revenue. The capital budget is largely*

funded by own funds which exposes the Municipality to a further liquidity risk as cash reserves are utilised in addition to the loan taken up. The Municipality is encouraged to exercise financial prudence over the MTREF to maintain future sustainability.

If Council's own funds be used to construct the fire station, will the reserves be depleted, and it will impact negatively on the future sustainability of the municipality. The municipality do however have properties that can be sold to finance the construction of the fire station. It is therefore proposed that, although the fire station is needed for service delivery, the fire station only be constructed once municipal property has been sold to finance the project.

Input received from Overstrand Municipality

A tariff of R 155 per ton for "General Household Waste for third parties" was included in the draft budget. The amount should however be amended to R 217.45 as confirmed by the Consulting Engineer.

The necessary amendments have been made in the 2019/20 budget document, as proposed.

Unanimously resolved : (Proposed by Ald A Franken and seconded by Cllr A Klaas)

That Council approves the following:

1. That the consolidated Operating budget of R 222 412 209, Capital budget of R 11 353 111, and budgeted cash flows, as set out in the Municipal Budget be adopted and approved by Council and that it constitutes the Budget of the Council for 2019/2020 financial year as well as the medium term (indicative) budgets for the 2020/2021 and 2021/2022 financial years.
2. The Integrated Development Plan and related documents and any amendments thereto, was approved.
3. The Spatial Development Framework and any amendments thereto, was approved.
4. That the tariffs as per tariff list be approved.
5. That all other matters prescribed in sections 17(1) (a-e); 17(2) and 17(3) (a-m) of the Municipal Finance Management Act are included in or accompany the budget document was approved.
6. The measurable performance objectives for 2019/2020 for operating revenue by source and by vote was approved.
7. The following budget related policies was approved:
 - Asset Management Policy
 - Credit Control and Debt Collection Policy
 - Cash Management and Investment Policy
 - Tariff Policy
 - Supply Chain Management Policy
 - Virement Policy (amended)
 - Borrowing Policy
 - Funding and Reserves Policy

- Budget Policy
- Customer Care Policy
- Demand Management Policy
- Infrastructure and delivery Management Policy
- Infrastructure investment and Capital projects Policy
- Liquidity Policy
- Long term Financial Planning Policy
- Management and Admin of Immovable Assets Policy
- Payroll Management and Administration Policy
- Preferential Procurement Policy
- Travelling and Subsistence Policy(amended)
- Cost containment Policy(new)

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 27 MAY 2019.



DP BERETTI
MUNICIPAL MANAGER

