

EXTRACT FROM THE COUNCIL MINUTES HELD ON 24 MAY 2021

Item A130. 24.05.2021

2021-2022 TO 2023/2024 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS (Ref.:6/1/1/B)

N Kruger : Chief Financial Officer (Acting)

(Ref.:6/1/1/B & 6/1/1/1)

PURPOSE

The purpose of the report is to submit the budget for 2021 / 2022 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

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(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 2021/22 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 29 March 2021, while a notice has been placed in the local newspapers to invite the public/community to submit comments on the draft/taled budget.

Input from Provincial Treasury

Provincial Treasury has submitted their 2021 SIME/ LG MTEC Assessment Report on 30 April 2021 and the municipal respond was discussed with Provincial Treasury on 10 May 2021. The following aspects were highlighted by the Province and herewith the respective response from ODM Management :

The Municipality's budget reflects funded, but surplus after the application of cash is on a declining trajectory over the MTREF indicating risks to future sustainability – *Noted, the cash flow statements data strings will be reviewed*

(a) Operating deficits results over the MTREF – *due to incorrect mSCOA data string, a correction update was submitted*

(b) It is observed that the decline in revenue is as a result of transfers and subsidies, and gains from the disposal of assets, however, it is still concerning that the Municipality would have a negative growth of 5.2 per cent against the inflationary increases – *due to additional Roads subsidy received in 2020/21 Adjustment Budget (R15 million)*

- (c) Transfers and Subsidies contribute 79.8% to the operating revenue indicating limited other revenue sources available – **Acknowledged, ODM is grant dependant due to no other revenue sources available that could be raised within the legislative framework of District municipalities**
- (d) Fire Services results in a significant loss over the MTREF and resorts and refuse removal result in marginal surplus yielded on these services – **Acknowledged, the only revenue sources for Fire Service are contributions from some local municipalities and is still unfunded with R20 million after the equitable share portion is taken into account**
- (e) Employee related cost budget will increase by 14.9% due to additional appointments (According to SA 22) and a 1.5% notch increase in salaries planned. Guidance provided in circular 107 and 108 must be consulted with the planned additional posts – **Explained that the distortion is due to the Roads Agency budget allocation towards employee related costs and will be reviewed. Post retirement employee benefits also had an impact as it is adjusted as per the actuarial report forecasts.**
- (f) Unutilized borrowing of R4.9 million will be rolled over to the 2nd year. The impact of this loan on the operating budget must be assessed and monitored – **Noted**
- (g) Provincial Treasury notes the commitment to build the CRR funds for future capital expansion and the Municipality is encouraged to strictly implement the principles that guides this fund - **Noted**
- (h) Linear projections are noted on the monthly projections indicating no seasonal trends were considered. Therefore, the Municipality is to amend in the final adoption of its budget – **Will be corrected in final budget**
- (i) mSCOA remains a challenge with some misalignments. Feedback in the report must be considered in the final budget – **Attention will be given for improvement**
- (j) Inconsistencies between the data strings and the budget submitted by the Municipality have been identified - **Attention will be given for improvement**
- (k) The incorrect classification of line items on the A6 (Financial Position) appearing as negative amounts – **Opening balances were not included, and will be corrected**
- (l) It is recommended that the Municipality correct the data strings for credible financial reporting - **Attention will be given for improvement**

FURTHER COMMENTS

No other comment or inputs had been received on the advertised budget and tariffs.

Other necessary amendments based on changed assumptions and additions will be made in the 2021/22 budget document, as proposed to the Budget Steering Committee for consideration on 18 May 2021.

The 2021/22 Medium Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules, which are compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), will be distributed prior to the Council meeting of 24 May 2021.

UNANIMOUSLY RESOLVED : (Proposed by Ald A Franken and seconded by Cllr C Coetzee)

1. The consolidated budget of **R258 938 652**, consisting of an **Operating budget of R253 950 152** (resulting in a **surplus R 1 274 113** after tariff increases) and a **Capital budget of R4 988 500** and budgeted cash flows, as set out in the Municipal Budget is adopted and approved by Council and that it constitutes the Budget of the Council for 2021/2022 financial year as well as the medium term (indicative) budgets for the 2022/2023 and 2023/2024 financial years.
2. The tariffs as per tariff list was approved.
3. That all other matters prescribed in sections 17(1) (a-e); 17(2) and 17(3) (a-m) of the Municipal Finance Management Act 56 of 2003, are included in or that accompany the budget document be approved.
4. That the measurable performance objectives for 2021/2022 for operating revenue by source and by vote be approved.
5. That the following budget related policies be approved:
 - Asset Management Policy (**Amended**)
 - Credit Control and Debt Collection Policy
 - Cash Management and Investment Policy
 - Tariff Policy
 - Supply Chain Management Policy (**Amended**)
 - 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 Administration of Immovable Assets Policy
 - Payroll Management and Administration Policy
 - Preferential Procurement Policy
 - Travelling and Subsistence Policy
 - Cost Containment Policy

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD
ON 24 MAY 2021.



DP BERETTI
MUNICIPAL MANAGER