8.2	MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2020/2021-2022/2023

Collaborator No: **682431**
IDP KPA Ref No: **Good Governance and Compliance**
Meeting Date: **20 March 2020**

1. SUBJECT: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2020/2021-2022/2023

2. PURPOSE

The purpose of this report is as follows:

a) The Executive Mayor to table the Medium Term Revenue and Expenditure Framework (inclusive of property rates charges and taxes, tariffs and service charges), annexures and proposed amendments to the budget related policies and other policies to Council for approval in terms of Section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003).

b) That Council specifically note and consider the need to take up external loans to fund critically needed refurbishment of infrastructure to the tune of R 400 million of which over the MTREF R160 million will be required in year 1, R120 million in year 2 and R120 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary) and confirms draft approval of same in order for the Chief Financial Officer to attend to the necessary legislative requirements.

c) That Council specifically note and consider the applications for extension of the Jonkershoek and Techstel Special Rating Areas (SRA), that is in terms of paragraph 15(a) of the SRA By-Law.

3. DELEGATED AUTHORITY

FOR APPROVAL **BY MUNICIPAL COUNCIL**

EXECUTIVE SUMMARY

Attached as **APPENDIX 1** is an executive summary by the Accounting Officer.

SPECIAL RATINGS AREAS – NEXT FIVE YEAR TERM

The Jonkershoek and Techstel Special Rating Areas (SRA) were first established in 2015 and have been successfully operating for the past five years. The respective management bodies have now applied for their SRAs to be extended for a further period of five years, ending 30 June 2025.

There are no financial implications for the municipality. SRAs are community driven initiatives and are financed by the property owners within the boundaries of the SRA. The municipality pays the approved budget over to the relevant management body in twelve equal, monthly instalments and recovers the money from property owners via the monthly consumer accounts. Normal credit control and debt collection processes are followed in instances of non-payment and retention is also withheld from the budget to offset any potential losses of the municipality. In the first five years of the SRAs being in operation, this measure has not been necessary.

Applications for extension of the terms are done in in compliance with paragraph 15(a) of the SRA By-Law. Such council approval can only be given in terms of Chapter 1 of the By-Law. For good reason, the council may exempt the management body of the SRA from compliance with Chapter 1, which mainly deals with the process to be followed when first establishing a SRA. Such exemption is being requested by the management body of the SRA.

Full reports of both SRAs are attached hereto as Annexures 32 and 33. Sub Annexures A – D include the Application Letters, Business Plans, 5 Year Budgets and AGM Minutes.

5. RECOMMENDATIONS

It is recommended to Council,

(a) that the Draft High Level Budget Summary, as set out in APPENDIX 1 – PART 1 – SECTION C; be approved for public release;

(b) that the Draft Annual Budget Tables as prescribed by the Budgeting and Reporting Regulations, as set out in APPENDIX 1 – PART 1 – SECTION D, be approved for public release;

(c) that the proposed Grants-In-Aid allocations as set out in APPENDIX 1 – PART 2 – SECTION J, be approved for public release;

(d) that the three year Capital Budget for 2020/2021, 2021/2022 and 2022/2023, as set out in APPENDIX 1 – PART 2 – SECTION N, be approved for public release;

(e) that the proposed draft rates on properties in WCO24, tariffs, tariff structures and service charges for water, electricity, refuse, sewerage and other municipal services, as set out in APPENDIX 3 , be approved for public release;

(f) that the proposed amendments to existing budget related policies and other policies as set out in APPENDICES 4 - 29, be approved for public release.

(g) that Council specifically note and consider the need to take up an external loan, needed for investment in income generating infrastructure to the tune of R400 million of which R160 million will be required in year 1, R120 million in year 2 and R120 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary) and confirm approval of same;

(h) that Council specifically take note of the fact that the proposed electricity charges and tariff structure is subject to NERSA approval that could change materially; and

(i) that Council takes note of MFMA circulars 98 and 99 that was published to guide the MTREF for 2020/2021 to 2022/2023 as set out in APPENDICES 30 – 31.

(j) that Council notes the Jonkershoek and Techstel SRA applications for the extension of the SRAs for a further period of five years and exempts both management bodies in terms of paragraph 15(a) of the SRA By-Law, from compliance with the provisions of Chapter 1 of the SRA By-Law.

(k) that proposed extension of the Jonkershoek and Techstel SRAs for a further period of five years beginning 1 July 2020 and ending 30 June 2025 be approved for public release; and

(l) that the proposed five year budgets with a combined total of R30 943 773.35 (VAT included) for Jonkershoek SRA and R15 713 218.21 (VAT included) for Techstel SRA as detailed in Annexures 32 (c) and 33 (c) be approved for public release.

6. DISCUSSION / CONTENTS

6.1. <u>Background/ Legislative Framework</u>

Section 16 of the MFMA states that:

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

Furthermore, section 17 of the MFMA states that:

(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;

ii. actual revenue and expenditure by vote for the financial year preceding the current year.

6.2 <u>Discussion</u>

The 2020 Budget Review highlighted the following reforms that are underway to improve spending efficiency and reduce wastege:

- Procurement: The state has a complex and often ineffective procurement system, which at times hamper government's ability to efficiently contract for goods and services. The draft procurement bill has been gazetted for public comment.

- Provincial grants: Government is piloting initiatives to improve municipal revenue collection and has made progress in reducing unfunded municipal budgets.

- Medico-legal claims: Work has begun to limit unreasonable claims against government.

- Public office bearers: There will be no increases in the salaries of public office bearers during 2020/2021.

Municipal governments face multiple pressures with the years ahead with local government expected to expand access to free basic services to poor households, while ensuring that those who can afford to pay for services do so. The 2020 MTREF includes large reductions in planned transfers to municipalities. This means that municipalities will be required to prioritise projects. Municipalities therefore must exercise caution when preparing their 2020/2021 MTREF budgets. It is advised that municipalities follow a conservative approach when projecting revenue and to eliminate wastage and unnecessary expenditure. It is imperative that municipalities should ensure the following, namely, that budgets they adopt are realistic and funded, that debts owned are collected and that their creditors are paid within 30 days of receipt of invoice. Legislation governing local planning and budgeting places emphasis on community participation in decision-making. The partnerships between municipalities and its stakeholders relies on the households and businesses recognising the value of, and paying for, municipal services. Therefore, the sustainability of the municipality will heavily depend on how they collect and spent their own revenues.

The Budget of 2020 outlines a series of economic and fiscal measures to be implemented to move the economy onto a new trajectory and reduce the long-term risks to South Africa's public finances. The central economic policy goal of the government, is to accelerate inclusive growth and create jobs. The main objective is to ensure sustainable finances by containing the budget deficit and stabilising public debt. The Constitution requires the national budget and related budget processes to promote values such as transparency, accountability, as well as effective management of the economy to these requirements in a difficult environment in which economic growth remains weak, public debt and debt service costs have accelerated, and governance and operational concerns are manifest across the public sector. The 2020 Budget confronts these challenges by addressing the central risks of the economy and its public finances, supporting growth-enhancing reforms and maintaining real growth in expenditure on social and economic priorities.

As a means to combat unemployment, the municipality will employ the following measures:

- Full participation in the Expanded Public Works Programme;

- Providing support to small businesses, which will create employment in the medium to long term;

- Establishment of Informal Traders;

- Promoting Internships and in-service training opportunities;

- Filling of vacancies within the municipality; and

- Developing partnerships with academic institutions for training opportunities.

- Implementation of a revised capacity building initiative, aligned to Back to Basics strategy, where the main focus will be on improving service delivery, accountability and financial management. It is always important that local government be effective and efficient, and this will be measured by its ability to perform the basic mandate of service delivery. The “Back to Basics” programme was launched to promote good governance and effective administration through cutting wastage, spending public funds prudently, hiring competent staff, and ensuring transparency and accountability in local government.

The President of South Africa, in his State of the Nation Address (SONA), on 13th February 2020 conceded that unemployment remains a national challenge and that job creation remains at the centre of the national agenda of 2020. The following focus areas were highlighted during SONA and in the 2019 MTBPS, which will be used as instruments to reignite growth so that the economy can create much-needed jobs:

- SMMEs: Expanding the small business incubation programme which provides entrepreneurs with the physical space, infrastructure and shared services, access to specialised knowledge market linkages, training in the use of new technologies and access to finance.
- National Minimum Wage (one of the demands of the Freedom Charter) to ensure greater coherence and consistency in the implementation of economic policy
- Mining
- Youth Development and Employment through the implementation of various initiatives
- Safety and security
- Agriculture and related initiatives
- Implementation of Procurement Bill: This bill will empower black and emerging businesses and advance radical economic transformation.
- Water Conservation Initiatives
- Encourage significant new investments and promoting greater investment in key manufacturing sectors
- Provision of Infrastructure through Infrastructure Investments
- Expansion of the Tourism Sector
- Developing capabilities in science, technology and innovation towards digital industrial revolution

Government’s central economic policy priority remains to promote faster, job-creating growth. Various programmes and initiatives will be established and the existing ones improved upon to ensure effective implementation of the strategic priorities.

The Western Cape Premier in his State of the Province address, on 20th February 2020, reiterated the sentiments highlighted during the State of the Nation Address and also the challenges that are faced and the initiatives that were implemented to address these challenges with regards to unemployment, especially the youth, education, building of safer communities, sustainable infrastructure development, implementation of related initiatives, provision of housing (dignified living), finding alternative energy sources to assist and reduce the strain on the electrical grid, provision of services to the poor households, among others.

The Premiers' speech focused on the following areas:

- Safety: The province has a safety plan, the biggest in the country, in place with various safety initivatives which focuses on increasing boots on the ground and reducing violence, to build a safer environment for all. Focus also to help boost the Chrysalis Academy(live-in leadership development programme) aimed at empowering our most at-risk youth to become self-confident, economically-active role models within their respective communities.
- Economy : Focused on job creation initiatives to assist the private sector to create the jobs required, One of these initivatives is the Premier's Advancement of Youth Internship Programme, that helps unemployed people get the on-the-job training and experience they need to find a suitable job,
- Energy and resilience: Finding alternative means to generate electricity for the province and alleviate the strain on the electrical grid,
- Ease of business: creating job opportunities through provision of support to smaller businesses,
- Education: Implement initiatives to improve quality of education and access to educational system,
- Health: To maintain our current and health system and improve upon it. With regards to the recent outbreak of the coronavirus - or COVID-19 provincial treasury, (in their 2020 Budget) have stated that they have made provision for unanticipated events,
- Transport,
- Human settlements (implementing new initiatives to ensure that housing database is updated and backyard dwellers are prioritised) and
- Culture change and innovation.

During his Statement of the Province Address the Premier highlighted the importance of finding ways to minimise unemployment by creating an environment that encourages job creation, through investment and growth and creating an environment which raises the quality of education and prepares generations for a digital future. The Premier mentioned the successes achieved through the implementation of various initiatives with focus on job creation, improvement of education and creation of an environment which encourages expanding social services through partnership with private partners, building of partnerships to foster safer communities, investments in new initiatives and maintenance of existing transport infrastructure and implementation of various youth development programmes which in return will boost employment opportunities. All of the above focus areas are important, however, the basis of all of this is economic growth, investment and job creation. In essence little else is possible if there is no growth or job opportunities.

Provincial treasury reiterated most of the challenges and focus areas highlighted in the Premier's State of the Province address, the SONA and the 2020 Budget Review. Provincial Treasury placed emphasis on the new Provincial Strategic Plan which will focus on five key Vision Inspired Priorities over the next five years, namely, to create "A Safe Western CapeWhere Everyone Prospers"; Growth and Jobs; Empowering People; Mobility and Spatial Transformation and Innovation and Culture. Emphasis was also placed on the following areas of importance, namely, education, health and social development, investment in new and existing infrastructure assets, envision a new cleaner and greener energy future and readiness for future risks that may negatively impact the province.

National Treasury encourages municipalities to maintain tariff increases at levels that reflects an appropriate balance between the affordability to poorer households and other customers, while ensuring the financial sustainability of the municipality. Curtailing non-core expenditure has always been emphasized by National Treasury. In order to maintain a funded budget, municipalities need to not only focus on tariff increases, but also focus on how to eliminate expenditure that is unnecessary. The initial cost containment measures were introduced through a MFMA Circular. Building on the MFMA Circular, National Treasury and other stakeholders thereafter drafted The Municipal Cost Containment Regulations that promotes the cost containment measures introduced in a number of spending areas. Cost Containment Regulations were issued on 07 June 2019. The implementation of cost containment measures is important as it will assist municipalities to reprioritise expenditure and to free up resources targeted towards service delivery. It will also be used to eliminate wastage of public resources on non-service delivery items. The main object of the regulations is to ensure that the resources of municipalities are used in an effective, efficient and economical manner.

The National Budget places emphasis on municipalities to ensure that expenditure is allocated in an efficient manner, that management is enhanced and that elimination of wastage occurs. The 2020 Budget allocates resources to core social and economic priorities while containing aggregate expenditure growth. Spending plans give effect to priorities of the National Development Plan and the Medium Term Strategic Framework.

The economic situation has not improved since the previous financial year. Municipalities are also faced with a difficult fiscal environment as the demand for services rises, weak economic growth put strain on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. While some municipalities have handled these challenges well, others have fallen into financial distress and face liquidity problems. As a result of above mentioned challenges there is a need for municipalities to focus on collecting revenues owed to them, and eliminate any wasteful and non-core spending. It is therefore important that municipalities make adequate provision to service their debt obligations and they must ensure that expenditure is limited to the maximum revenue collected and not spend funds they do not have.

Municipalities are encouraged by National Treasury to maintain tariff increases and adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring the financial sustainability of the municipality. Municipalities must ensure that their budgets are funded from realistically anticipated revenues. This means that the municipality must refrain from assuming collection rates that are unrealistic and unattainable. Cost reflective tariff setting is a requirement of Section 74 (2) of the Municipal Systems Act, 2000 (Act No.32 of 2000). It states that tariffs "must reflect the cost reasonably associated with rendering the service". This means that municipalities must generate sufficient revenue to fully recover their costs, deliver services to customers sustainably and invest in the infrastructure that promises local economic development.

Before a municipality can start with the tariff setting process they must first assess the budget to determine whether it is effective and efficient and they must ensure that it is credible for financial sustainability. In sum, the cost considered when setting a cost reflective tariff must include day-to-day operations and maintenance costs, capital financing cost and provision for bad debt, which are collectively referred to as direct costs, and governance and administration costs referred to as indirect costs.

In the instance of bulk tariff increases for electricity municipalities are also encouraged to apply for electricity tariff increases that reflect the total cost of providing the service, to ensure that they are working towards achieving fully cost-reflective tariffs that will assist them to achieve financial sustainability. Municipalities should consider the following facts during the tariff setting process, namely, the costs of bulk purchases and the fluctuation in the seasonal cost thereof; the consumption patterns to enable better demand planning and management; and in the event that municipalities have been under recovering costs, embark on a process to correct their tariff structures over a reasonable time period so that cost reflective tariffs are achieved, which in turn will result in financial sustainability.

Drought conditions makes it challenging and difficult for some municipalities to improve their revenue generation from provision of water services. In respect of water services, the following important aspects should be focused on such as improving demand management, maintenance of infrastructure, management of losses, meter reading and tariff setting. The municipality should take strategic action to ensure effective water management and resilience to drought, including the security of water supply, environmental degradation, and pollution of resources to achieve economic growth, development and socio-economic priorities in an equitable and sustainable manner. When setting the tariffs municipalities must ensure that the tariffs charged will be able to cover for the cost of bulk purchases, ongoing operations as well as provision for any future infrastructure.

As a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate additional revenue. Additional revenue needs to be generated because the consumer’s ability to pay for services received, continues to decline, which leads to limited revenue collection. The effects of slow growth and economic challenges experienced these past years, still have an impact and continue to place pressure on the finances of the average consumer (levels of disposable income and savings). This typically results in greater difficulty for the municipality with regards to the revenue collection, which have a direct impact on the municipality’s ability to provide effective and efficient services, but also to budget accurately for service delivery over the short to medium term.

Continued policy uncertainty and the deterioration in the finances of state-owned companies are some of the main risks and challenges that can hinder the economic outlook. It is as a result of above economic challenges, alongside continued unemployment and slow growth that a more conservative approach is advised for revenue projections. Municipalities affected by the drought should thus consider its impact on revenue generation. The municipalities will also have to improve their efforts to limit non-priority spending and implement stringent cost-containment measures.

Municipalities are required to focus on the following during the compilation of the 2020/2021 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as per the Cost Containment Regulations issued on 07 June 2019;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households; and

- Curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The aforementioned were taken into account during the compilation of the municipality's budget.

The application of sound financial management principles for the compilation of the Stellenbosch's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. As a result of excellent financial discipline, the Stellenbosch Municipality has taken the theme of "Driving efficiencies-doing more with less", to heart. The municipality's business and service delivery priorities were reviewed as part of this year's planning, through the Integrated Development Plan (IDP), and the annual budget process.

Funds were shifted from low to high priority progammes so as to maintain sound financial stewardship. A critical review was also undertaken on non-core and 'nice to have' items with regards to expenditure. The municipality has embarked on developing a revenue enhancement strategy to optimize revenue, including the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2020/21 MTREF can be summarized as follows:

- The on-going difficulties in the national and local economy;
- Aging infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope;
- The increased cost of bulk water and electricity, which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The Wage Bill: The 2020 Budget Review highlighted the proposed wage bill reduction for public service, wherein municipalities are encouraged to take decisive action to address bloated organisational structures and above inflation increases;
- Attracting economic investment;
- Water Conservation and drought;
- Electricity/ Loadshedding;
- Borrowing for multi-year capital projects and refinancing of existing loans;
- Reductions in allocations of some of the National and Provincial grants due to a worsening fiscal outlook; and
- Limited resources to deal with all key priorities.
- The current Coronavirus (Covid-19) pandemic

The municipality had to factor in the negative impact that the Coronavirus (Covid-19) would have on the community of the greater Stellenbosch and surrounding areas with the draft MTREF budget preparation process. The municipality is concerned about the impact that the virus will have on healthcare, education and the most vulnerable people who live in informal settlements, specifically those with chronic diseases, HIV/Aids, tuberculosis and commuters that have to make use of the public transport system.

The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:

- Integrated Development Plan was used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff and property rate increases should be as affordable as possible and should ideally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. However, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- National, provincial and local priorities;

- Headline inflation forecasts; and

- Funding choices and modelling.

The Integrated Development Plan (IDP) was used as a guiding strategic document to inform the budget compilation. The challenge however is still to deliver services more efficiently and effectively with the tight financial envelope.

Stellenbosch municipality's revenue strategy was based on the following fundamentals, namely, tariff policies of the municipality, economic outlook and development for Stellenbosch and surrounding areas, National Treasury's guidelines and macroeconomic policy, National, Provincial and Regional fiscal growth rates and electricity tariffs as approved by National Electricity Regulator of South Africa (NERSA).

The financial resources to fund the Operational Budget will and must consist of realistically anticipated revenue generated from property taxes, service charges and other income. The municipality is mindful of the estimated headline inflation for 2020/2021 of around 4.5 per cent, forming the basis of the extensive income modelling exercise, and also taking into account the principles of economical services that are cost reflective, trading services generating surpluses, the effect of escalating salary costs and bulk purchases.

The national budget focuses on fiscal consolidation. This means that we as municipalities must ensure that we do not borrow beyond our ability to repay and we do not spend money we do not have, until we ignite growth and generate revenue, we have to be tough on ourselves.

The total budget quantum for the 2020/2021 year is R2 402 549 231 of which R1 899 463 402 (79%), is allocated to the operating budget and R 503 085 829 (21%) to capital investment.

Budget documentation in line with the budget and reporting regulations is attached as **APPENDIX 1 – PART 1**. The report serves as an overview of the budget as a whole, budget assumptions used to compile the budget, funding sources used to fund the capital budget, different income categories to fund priorities of the municipalities, as well as the different expenditure items, including non-cash items.

DRAFT CAPITAL BUDGET 2020/2021 – 2022/2023

The draft capital budget is infrastructure orientated and addresses the huge backlog and urgent need to upgrade/refurbish municipal infrastructure and protection of our assets as addressed by the different master plans. It is directed by the IDP (Integrated Development Plan) and the needs of the community. It's also aligned to the strategic priority in the State of the Nation Address of Infrastructure investment and the "back to basics" approach. Council's attention is however drawn to the fact that not all needs identified by the community can realistically be funded by the municipality.

The main capital projects that the municipality will be investing in, which constitute more than 62% of the capital budget, include:

- Water Pipe Replacement
- Bulk Water Supply Pipeline & Reservoir – Jamestown
- Water Conservation & Demand Management
- Water Treatment Works: Idasvalley
- Bulk water Supply Pipe Line & Pumpstations: Franschhoek
- Bulk water supply Klapmuts
- New Reservoir Rosendal
- Bulk water supply pipe and Reservoir: Kayamandi
- New Reservoir & Pipeline: Vlottenburg
- Franschhoek Sewer Network Upgrade
- Sewerpipe Replacement: Dorp Straat
- Upgrade of WWTW Wemmershoek
- Bulk Sewer Outfall: Jamestown
- Upgrade of WWTW: Pniel & Decommissioning Of Franschhoek
- Laterra Sub-station
- Jan Marais Nature Reserve Upgrade
- Integrated National Electrification Programme (Enkanini)
- Watergang Farm Upgrading
- Upgrading of The Steps/Orlean Lounge
- Kayamandi: Zone O (±711 services)
- Klapmuts: Erf 2181 (298 serviced sites)

- Upgrading of Traffic Offices: Stellenbosch
- Kleine Libertas Precinct Development
- Major Fire Pumper
- Integrated and Spray Parks

The detailed draft capital budgets for 2020/2021, 2021/2022 and 2022/2023 are attached as **APPENDIX 1.**

DRAFT OPERATING BUDGET 2020/2021 – 2022/2023

The basis of the operating budget is aligned to the principle of total potential income (less income forgone as an expense where applicable) from all our services as well as a projection of total direct income. The extent, to which tariffs and levies are proposed to increase, is in the main influenced by:

- The increase in bulk purchases (water and electricity)
- Employee related costs, as per SALGBC wage agreement
- Councillor remuneration, as per SALGA upper limits
- Service delivery challenges
- Repairs and maintenance
- Operational projects impacting job creation and economic development
- Contractual commitments
- Day to day operational costs (fuel & oil, telephones, bank costs, etc)
- Finance costs, influenced by level of borrowing

Taking all of these issues into consideration and to ensure the sustainability of our operations from realistically anticipated income flows, the following tariff and property tax increases are proposed for 2020/2021:

Electricity	**6.43%**
Sanitation	**6.50%**
Refuse removal	**16.50%**
Water	**6.00%**
Rates	**6.50%**

Taking cognisance of the plight of the poor and the affordability of basic services, the scale up to 20 kl of water was increased by only 6% and usage over 20 kl (20 000 litres) for domestic consumers increases in proportion to consumption.

The impact of the proposed tariff increases on the monthly services account for the various consumer categories is summarized in **APPENDIX 2.**

HIGH LEVEL CAPITAL AND OPERATING BUDGET FOR 2020/2021 – 2022/2023

The draft high level budget depicting the total budget is attached as **APPENDIX 1 – PART 1 – SECTION C.**

TARIFFS

Council's attention is further drawn to the fact that the Tariff List attached as **APPENDIX 3** includes Sundry Tariffs as a basket of services and charges, i.e. Land Use Management Fees, Development contributions, Technical Charges, etc. In this regard, the proposed tariff list must be consulted for the detail.

BUDGET RELATED POLICIES & BY-LAWS

A summary of changes to budget related policies is attached as **Appendix 4**

The following budget related policies and by-laws were revised:

Rates Policy **(Appendix 5)**

Tariff Policy **(Appendix 6)**

Indigent Policy **(Appendix 7)**

Special Ratings Area Policy **(Appendix 8)**

Special Ratings By-law **(Appendix 9)**

Credit Control and Debt Collection Policy **(Appendix 10)**

Irrecoverable Debt Policy **(Appendix 11)**

Petty Cash Policy **(Appendix 12)**

Travel and Subsistency Policy **(Appendix 13)**

Cost Containment Policy **(Appendix 14)**

Accounting Policy **(Appendix 15)**

Cash Management and Investment Policy **(Appendix 16)**

Supply Chain Management Policy **(Appendix 17)**

Development Charges Policy **(Appendix 18)**

Ward Allocation Policy **(Appendix 19)**

Unchanged Policies

Virementation Policy **(Appendix 20)**

Asset Management Policy **(Appendix 21)**

Budget Implementation and Monitoring Policy **(Appendix 22)**

Borrowing, Funds and Reserves Policy **(Appendix 23)**

Financing of External Bodies performing municipal functions Policy **(Appendix 24)**

Liquidity Policy **(Appendix 25)**

SCM Policy for Infrastructure Procurement and Delivery Management (SIPDM) **(Appendix 26)**

Inventory Management Policy **(Appendix 27)**

Preferential Procurement Policy **(Appendix 28)**

Grants-In-Aid Policy **(Appendix 29)**

OTHER SUPPORTING DOCUMENTATION

The additional information as prescribed by the budget and reporting regulations are attached as **APPENDIX 1 – PART 2 – SECTION P.**

6.2. Financial Implications

Financial impact already discussed above.

6.3. External Loan for 2020/2021

That Council specifically note and consider the need to take up external loans to fund critically needed refurbishment of infrastructure to the tune of R 400 million of which over the MTREF R160 million will be required in year 1, R120 million in year 2 and R120 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary).

6.4 Legal Implications

Legal Services

The item at my disposal is compliant with the relevant legislative framework.

6.5 Staff Implications

None

6.6 Previous / Relevant Council Resolutions:

27th Council Meeting on 29 May 2019, Item 5.2 Medium Term Revenue and Expenditure Framework.

6.7 Risk Implications

None

6.8 Comments from Senior Management:

6.8.1 Director: Infrastructure Services

Noted

6.8.2 *Director: Planning and Development Services*

Noted

6.8.3 Director: Community and Protection Services

Noted

6.8.4 Director: Corporate Services

Noted

6.8.5 Chief Financial Officer:

Noted

6.8.6 *Municipal Manager:*

Noted

FOR FURTHER DETAILS CONTACT:

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REPORT DATE	*30 March 2020*

DIRECTOR: FINANCIAL SERVICES

The contents of this report have been discussed with the Portfolio Committee Chairperson and the Councillor agrees with the recommendations.