

## OFFICE OF THE MAYOR

26 March 2020

For submission to Council

## TABLING OF THE 2020/21 ANNUAL BUDGET

### **PURPOSE**

To present to Council the draft budget for 2020/21 financial year.

### **BACKGROUND**

In terms of section 16(1) of the Local Government Municipal Finance Management Act 56 of 2003, 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 the 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.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

### **FINANCIAL IMPLICATIONS**

Implications in line with provision made in the draft budget. This was done in conjunction with the guidelines as per all applicable MFMA Budget Circulars.

Please refer to Annexure A to this document for a detailed breakdown of all budgeted items for revenue, operational expenditure as well as capital expenditure.

The current cash-flow constraints experienced by the Municipality was taken into account on the preparation of this draft budget.

The Municipality also has outstanding operational and third party creditors to an amount of R85 million which will put further pressure on the cash flow constraints experienced.

The pressures experienced at the Municipality is mainly caused by the poor collection rate on accounts billed for services that were delivered. This will be addressed in the coming years by implementing

revenue collection strategies that has been taken into account when the budget was performed. Once a steady cash flow can be maintained from the collections on services delivered, the outstanding creditors can be addressed.

Stricter controls will also be implemented on operational expenditures incurred by the Municipality. These controls will limit the unauthorized, irregular and fruitless & wasteful expenditures to a minimum.

### **LEGAL IMPLICATIONS**

Local Government Municipal Finance Management Act No. 56 of 2003  
All applicable MFMA Budget Circulars

### **PARTIES CONSULTED**

Municipal Manager  
Chief Financial Officer  
Management

### **RECOMMENDATION**

Council is requested to consider the draft budget as per the submission.

**Submitted by:**

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**IN MEHLOMAKULU  
MAYOR**