

DEPARTMENT OF FINANCE: DRAFT BUDGET FOR THE 2024/25 MTREF FINANCIAL YEAR (COUNCIL: 28 MARCH 2024)

The Director: Finance reports as follows:

“The purpose of this report is to submit the **Draft Annual budget** in respect of the **2024/25 & two outer financial years** for consideration by Council as prescribed in the Municipal Finance Management Act (MFMA).

BACKGROUND

In terms of section 21(2) of the Municipal Finance Management Act, the Mayor must consider the following issues when preparing the annual budget:

- Take into account the municipality's Integrated Development Plan (IDP);
- Take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
- Take into account the national budget, the relevant provincial budget, the national government's fiscal and economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum.
- **Consult:-**
 - (i) All other local municipalities in the area, if the municipality is a district municipality
 - (ii) The relevant provincial treasury, and when requested, the National Treasury; and
 - (iii) Any national or provincial organ of state, as may be prescribed.

BUDGET PREPARATION PROCESS

The budget preparation process consists of the following six distinct steps:

- 1. Planning** Schedule key dates, establish consultation forums, review previous processes

- 2. Strategizing** Review IDP, set service delivery goals and objectives for next three years, consult on tariffs, indigent, credit control, free basic service, etc. policies and consider local, provincial and national issues, previous year's performance and current economic trends, etc.
- 3. Preparing** Prepare budget, revenue and expenditure projections, draft budget policies, consult and consider local, provincial and national priorities
- 4. Tabling** Table draft budget, IDP and budget related policies before Council, consult and consider formal local, provincial and national inputs or responses
- 5. Approving** Council approves budget and related policies
- 6. Finalizing** Publish and approve Service Delivery and Budget Implementation Plan (SDBIP) and annual performance agreements and indicators.

The above steps must be incorporated into one process with reference to the IDP and Budget. These processes could be finalized before submission of the Final budget to Council.

In terms of **section 16 of the MFMA**, the council of a municipality must for each year approve an annual budget for the municipality and as a consequence of this legislative requirement, 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**.

After the **Draft annual budget** has been tabled, the community must be invited to make written submission to the Council on the budget and to make representation at the council hearings. Key stakeholders like national and provincial departments (eg. Treasuries, Local Government, Water, Environment, Health) should also be invited to submit written comments to the hearing.

Method for input into the **adopted Draft Budget** will be communicated in order for Council to consider all submissions received during this process.

The Mayor must be given an opportunity to respond to the recommendations, make revisions and amend the tabled budget if so required.

After the Mayor has responded to the recommendations and made amendments to the draft budget, the full council must meet to consider the budget for approval not later than **31 May 2023**.

BUDGET CONTENT AND FORMAT

National Treasury, through the Municipal Budget and Reporting Regulations provided guidelines on the content and format standards of the budget as well as supporting documentation to which all municipalities must comply. The regulations became effective as from July 2009.

The reason why National Treasury provided guidelines on the budget and supporting documentation is to ensure:

- Compliance with legal requirements for an approved budget;
- Strengthened oversight by council and improved performance by officials;
- Readability of and linkages within the budget documentation.
- Satisfaction of stakeholders' information needs (councillors, community etc.); and
- Facilitation of comparability between municipalities.

Municipal Circulars 126 & 128 further provides guidance (inclusive of all previous budget related circulars issued by National Treasury) to municipalities and municipal entities for the preparation of their **2024/25** budgets, medium term revenue and expenditure framework (MTREF) as informed by the **Budget Review 2024** and the **2024 Division of Revenue Act**. According to the mentioned circular, municipalities must prepare their budgets in the context of the current global economic crisis and the slow-down in the domestic economy.

The Draft Annual Budget report is attached as annexure **(Bound separately)** for Council's consideration."

The Municipal Manager, in consultation with the Director: Finance, recommends as follows:

RECOMMENDATIONS

1. Council resolves that the Tabled budget of the municipality for the financial year 2024/25 as per Budget Related Resolutions of the budget document and indicative for the projected outer years 2025/26 and 2026/27 be tabled as set out in Annual Budget Tables in respect of the following schedules:

- 1.1 Executive summary of revenue & expenditure – **Table A1**;
- 1.2 Budgeted Financial Performance (Revenue and Expenditure by standard Classification) –**Table A2**;
- 1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) A – **Table A3**;
- 1.4 Budgeted Financial Performance (revenue and expenditure) – **Table A4**;
- 1.5 Budgeted Capital Expenditure by vote, standard classification and funding – **Table A5**;
- 1.6 Budgeted Financial Position – **Table A6**;
- 1.7 Budgeted Cash Flows **Table A7**;
- 1.8 Cash backed reserves/accumulated surplus reconciliation – **Table A8**;
- 1.9 Asset Management – **Table A9**;
- 1.10 Basic service delivery measurement table **A10**
- 1.11 Supporting tables as per **SA1 to SA38**

2. Council approves and adopts the **Draft tariffs listing** for services as per Annexure A with effect **1 July 2024**.

Council take note that the **Draft tariffs** in respect of the Electricity increase is still subject to final approval by NERSA, and that after Nersa issue the document the tariff will be updated based on the outcome letter.

3. Council consider the Service Delivery and Budget Implementation plan (SDBIP) in respect of the 2024/25 budget year per Appendix B

4. The Council of Cape Agulhas Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2024 the following Draft policies:

Annexure C documentation:

- (i) The draft Borrowing, funds and reserve policy
- (ii) The draft Cash and Investment policy
- (iii) The draft Funding and reserves policy
- (iv) The draft Policy relating to the Long-term financial planning
- (v) The draft Policy related to the Management and Disposal of the assets
- (vi) The draft policy relating to the dealing with Infrastructure investment and capital projects
- (vii) The draft Policy relating to the budget Implementation and Management

- (viii) The draft Supply chain management policy
- (ix) The draft Indigent policy
- (x) The draft Credit control and debt collection policy
- (xi) The draft policy on Electricity tariffs
- (xii) The draft policy on Property rates tariffs
- (xiii) The draft policy on Refuse Removal and Solid waste tariffs
- (xiv) The draft policy on Water tariffs

5. Council approved the Procurement plan for the **2024/25** financial year as per Annexure D attached.
6. Council approves the KAM Service charter for the financial year for the period ending 30 June 2025 as per Annexure E
7. Council take note of the Draft mSCOA Roadmap as required in terms of the mSCOA regulations and guidelines issued by National Treasury. – Annexure F
8. Council takes note of the Draft fixed Asset register as required. – Annexure G
9. **Council notes that the Executive Mayor will have an oversight role over the budget process before it is again submitted for final approval.**