

Kareeberg



Municipality (NC 074)

**DRAFT BUDGET EXECUTIVE SUMMARY
2020/2021 MTREF**

Executive Summary

Draft Budget 2020/2021 MTREF

Council adopted the budget schedule at the end of August 2019 where after the IDP and the Budget processes started in earnest.

The budget was prepared in conjunction with the MFMA circulars and other regulations. The Budget was prepared on a conservative approach as stipulated in MFMA Circulars 66, 67, 70, 71, 72, 74, 75, 78, 79, 82, 91 and 98. **The latest MFMA Circular, no. 98 set the tone during the budget process.**

No comments was received from community members.

A. IDP and linkage to IDP to budget (Capital Budget)

A Revised IDP will be tabled to Council during March 2020 and will be published for comments before it could be adopted by Council during the final budget meeting of 28 May 2020.

Communities re-assess their needs which forms part of the revised IDP document during the Budget feedback meetings. However all needs cannot be achieved, realized or addressed in one financial year or over one MTEF period.

Kareeberg Municipality total direct Final Capital Budget for 2020/2021 financial year amounts to R99 567 000

The current linkage of the IDP to the budget is broken down as follows:

1. Capital Grants	R99 567 000
1.1 Municipal Infrastructure Grant	R 8 016 000
- Upgrade of streets in Ward 2 - Bonteheuwel	R3 702 196
- Upgrade of streets in Ward 4 – Vanwyksvlei	R 1 709 131 (Preliminary)
- High mast lights (2) in Ward 3 – Vosburg	R 2 604 673
1.2 Regional Bulk Infrastructure Grant	R67 551 000
- Water Pipeline Development to Vanwyksvlei	
1.3 Upgrading electricity network Kokkiesdorp	R 5 000 000
1.4 Energy efficiency project	R 4 000 000
1.5 WSIG-replacement asbestos pipelines Carnarvon	R15 000 000

B. OPERATING BUDGET

1. Budget Income

1.1 Total expected Net Rates Income will be R9 084 398

The declaration of the SKA farms as a reserve will result in a loss of income of ± R1 348 415

1.2 Other Levied Services budgeted income are almost R15 227 897 (free basic services deducted)

- 1.2.1 Electricity amount to R9 722 076
- 1.2.2 Water amounts R2 717 889
- 1.2.3 Sewerage amounts to R1 346 057
- 1.2.4 Refuse removal amounts to R1 441 875

1.3 Rental of facilities and equipment expected income will be R345 656

1.4 Interest income will be R3 394 766

- 1.4.1 External Investments amounts to R3 144 766 (mainly due to grant allocations)
- 1.4.2 Interest charged on arrear accounts amounts to R250 000

1.5 Operating Grants and Subsidies amount to R31 244 000

- 1.5.1 Equitable Share R26 124 000
- 1.5.2 Finance Management Grant R 2 800 000
- 1.5.3 Library Development fund R 1 263 000
- 1.5.4 EPWP Grants R 1 057 000

1.6 Other Budgeted Revenue R4 842 975

1.7 The Total Budgeted Revenue (Income) for the 2020/2021 Financial year are R177 735 848. The total budgeted income consists out of

- 1.7.1 Capital Grants R99 567 000
- 1.7.2 Operating Grants and Subsidies R31 244 000
- 1.7.3 Borrowed Capital R 0
- 1.7.4 Own generation of budgeted income R32 895 692
- 1.7.5 Non cash generated items R14 029 156

There is an increase in total budgeted income of 48% in relation to the previous year decrease of 33,4% allocations.

This is mainly due to the regional bulk water infrastructure, WSIG and DOE grants

2. Expenditure

2.1 Salary and wages

- The total salaries and social contributions for the year amounts to R24 693 443 (+7%)
- Annual increase of 6.25% has been budgeted as per agreement.
- The total salary package includes the salary of all the current personnel and some vacant positions.
- Efficient and effective alignment of staff, should to be undertaken to ensure overall productivity of staff within the municipality.
- The salary budget needs to be monitored as we must really assess the current staff and positions. The productivity of staff need to be prioritized as much more work must be done on this issue. New appointments must be reconsidered as the wage bill is increasing at an alarming rate.
- The salary percentage to the **Operating Budget is 32,59%** and to the **total capital and operating budget is ± 13.89%**

2.2 Councillor Remuneration

- Councillor Remuneration amounts for R2 833 533

Budget for an increase of 6%

2.3 Provision for Bad Debts, working capital reserve to R5 500 000

Great efforts must be employed by Council and Administration to ensure that all communities of Kareeberg pay their municipal accounts

2.4 Net Impairment of assets & depreciation estimated at R4 429 156

2.5 Repair and maintenance total estimation are R1 277 291 which is being split between materials and contracted services.

2.6 Contracted Services costs are budgeted for R2 179 120

2.8 Bulk Purchases for Electricity amount to R13 913 146

This increase represents mainly the Eskom's tariff increment as stated in the MFMA Circular issued by National Treasury. The approved guidelines by NERSA are 6.9%. It might be amended as a result of the recent court ruling.

2.9 Operating Grants and subsidy expenditure amounts to R12 095 191, which are mostly spent on the indigent households for the subsidized free basic services provide to approve indigent households.

2.10 Capital Grants payments amounts to R99 567 000. These amounts are mainly recognized on the income side and also on the expenditure side.

2.11 Non cash generated items R4 100 00

2.12 Other expenditure amounts to R7 147 968

The major types have been increase in relation to the previous year. A marginal increment was allocated at those expenditure types who increased. Real Budget Austerity measures are being introduce to monitor expenditure. Proper planning must be the order of the day when it comes to spending. A collective effort must be employed to eliminate non priority spending from all stakeholders in the municipality.

Strict control mechanisms must be enforced by budget drivers. Expenditure must be prioritized. Travelling expenses must be managed properly and only meetings that will add value to the municipality should be attended by Councillors and officials of the municipality.

The budgeted expenditure for 2020/2021 are **R177 735 848** which comprise of Operating Budget of **R78 168 848** and the Capital budget of **R99 567 000**. The increase is mainly due to the capital increase of grants received. The operating expenditure increased with 22%. Expenditure budgeting control will continue to be enforce strictly. The realization of revenue impacts on the expenditure management.

C. Tariff Increments

Tariffs expected increases for the 2020/2021 financial year are set out below. These are

1. Rates and taxes

- Over all the rates and taxes will increase by 6.42% based on residential property rates.
- The first R25 000 valuation of all residential properties will be exempted from rates and taxes.
- Agricultural properties rebate is 60%.
- Businesses properties rebate 40%.
- Industrial properties rebate 60%.

2. Electricity

- Basic fee will increase by 6%
- Conventional and prepaid electricity tariffs will be increase as per NERSA tariff increment guidelines.
- 1-50 kWh increase by 6%
- 51-350 kWh increase by 6%
- 351 and more kWh units increase by 6%

3. Water

- Basic fee will increase by 6%
- Water consumption will be increased by 6% in all blocks

4. Sewerage and sanitation

- Tariffs increased by 6%
- A monthly levy will be charge on all septic tanks and suction tanks in Carnarvon and Vosburg. The second suction will be charged according to the tariff schedule.

5. Refuse removal

- Tariffs increased by 6%

6. All other secondary tariffs.

- No increases.

D. Indigent households

A total of almost 1 432 indigent households with a total value of R10 925 451 are expected to receive subsidized services every month. The subsidizes services include

1. Rates	R0
(The first R25 000 of municipal valuations exempted from paying Rates and taxes)	
1.1 50 kWh of electricity	R 52.50
1.2 Basic electricity households	R171.92

2.1	Water 6kl	R 9.72
2.2	Basic water households	R180.28
3.1	Monthly sewerage septic tanks basics	R158.79
3.2	Monthly sewerage (sewerage network)	R298.57
4.1	Monthly refuse removal	R192.92

Other sources of energy (wood) is available for the informal housing settlements

E. Conclusion

The 2020/2021 budget is a budget to make services affordable to all consumers. It is a plan to implement the cross-cutting of expenditure. The budget testifies of the continuation with the developmental agenda to expand the infrastructure to new and higher levels. It also aims to continue with the creation of jobs, fighting poverty and most of all ensure that we invest in infrastructure assets of the Kareeberg Municipality.

The inflationary increases of tariffs are mainly focused on affordability and to ensure that we generated all revenue as budgeted for. Hence the expenditure control must be sharpened over the next financial year. A concern are that the tariff increases can only be limited because of equitable share and grant income (vat), so we heavily depends on grants. The current collection rate for services are 84% and therefore a shortfall of R2 390 045 (16%). The budget however based on a 100% collection rate.

The Council commitment to create a conducive environment for Investors to invest in the economy of Kareeberg Municipality cannot be underestimated. The various economic initiatives are testimony of Council's commitment, readiness and ability to ensure that we continue with the path on National Development Plan.

The budget is prepared under the auspices and principles of revenue collection and the actual realization of budgeted revenue. Taking these principles into consideration which all of us must ensure that austerity measures are adhered to and implemented. Sustainable service delivery is taking precedence in this budget.

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ACTING MUNICIPAL MANAGER/ CHIEF FINANCIAL OFFICER

18 MARCH 2020