

Kareeberg



Municipality (NC 074)

**DRAFT BUDGET EXECUTIVE SUMMARY
2021/2022 MTREF**

Executive Summary **Draft Budget 2021/2022 MTREF**

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, 98 and 108. **The latest MFMA Circular, no. 108 set the tone during the budget process.**

We advertise for inputs on the IDP but by the date of compilation of this report (24 March 2021) no inputs were received from the community.

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

A Revised IDP will be tabled to Council during March 2021 and will be published for comments before it could be adopted by Council during the final budget meeting of 28 May 2021.

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 2021/2022 financial year amounts to R95 416 000

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

1.a	Capital Grants	R87 146 000
1.1	Municipal Infrastructure Grant	R 8 224 000
	- Upgrade of streets in Ward 4 – Vanwyksvlei	R 5 669 000
	- High mast lights (2) in Ward 3 – Vosburg	R 2 555 000
1.2	Regional Bulk Infrastructure Grant	R68 922 000
	- Water Pipeline Development to Vanwyksvlei	
1.3	Upgrading electricity network Kokkiesdorp	R 5 000 000
1.4	WSIG-replacement asbestos pipelines Carnarvon	R 5 000 000
1.b	Capital Own funding (VAT)	R 6 095 000
	- Vehicles	R 5 840 000
	- Computer equipment	R 55 000
	- Furniture	R 100 000
	- Carports	R 100 000
1.c	Grants	R 75 000
	- Computer equipment	R 75 000

1.d	Equitable share (roll over)	R 2 100 000
-	Vehicles	R 2 100 000

Due to the RBIG-project a once off amount for VAT claimed are available which puts us in the position to replace the old vehicle fleet.

B. OPERATING BUDGET

1. Budget Income

1.1 Total expected Net Rates Income will be R10 697 901

The declaration of the SKA farms as a reserve will result in a loss of income of ± R1 402 312

On instruction by COGHSTA we need to reduce the tariffs on state owned properties, and we delete the 20% discount.

1.2 Other Levied Services budgeted income are almost R16 070 718 (free basic services deducted)

- 1.2.1 Electricity amounts to R8 845 155
- 1.2.2 Water amounts to R3 041 782
- 1.2.3 Sewerage amounts to R2 299 881
- 1.2.4 Refuse removal amounts to R1 883 900

1.3 Rental of facilities and equipment expected income will be R215 934

No rental income at this stage from the rental of the commonage in Vanwyksvlei and Vosburg.

1.4 Interest income will be R1 693 576

- 1.4.1 Interest on External Investments amount to R1 693 576
- 1.4.2 Interest charged on arrear accounts amount to zero

Budgeted income decreases due to low interest rates.

1.5 Operating Grants and Subsidies amount to R31 850 000

- 1.5.1 Equitable Share R27 308 000
- 1.5.2 Finance Management Grant R 2 650 000
- 1.5.3 Library Development fund R 912 000 (preliminary)
- 1.5.4 EPWP Grants R 980 000

1.6 Other Budgeted Revenue (Capital) R8 270 000

1.7 Other Budgeted Revenue R5 316 349

1.8 The Total Budgeted Revenue (Income) for the 2021/2022 Financial year are R177 640 212. The total budgeted income consists out of

- 1.7.1 Capital Grants R87 146 000
- 1.7.2 Operating Grants and Subsidies R31 850 000
- 1.7.3 Borrowed Capital R 0
- 1.7.4 Own generation of budgeted income R33 994 837

1.7.5 Noncash generated items	R16 379 375
1.7.6 Other budgeted revenue (capital)	R 8 270 000

There is a decrease in total budgeted income of 0.05% in relation to the previous year's increase of 48%.

This is mainly due to the regional bulk water infrastructure grant.

2. Expenditure

2.1 Salary and wages

- The total salaries and social contributions for the year amount to R25 587 035 (+3.6%)
- Annual increase of 4.5% has been budgeted as per guideline.
- The total salary package includes the salary of all the current personnel and some vacant positions.
- Efficient and effective alignment of staff should 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 needs to be prioritized as much more work must be done on this issue.
- New appointments/filling of vacancies must be reconsidered as the wage bill is increasing at an alarming rate.
- The salary percentage to the **Operating Budget is 31.1%**.
- Due to budget constraints no amount was budgeted for danger allowances.

2.2 Councillor Remuneration

- Councillor Remuneration amounts to R4 349 020

Budget increased with R1 515 487, which includes four additional councillors and an increase of 4.5%. No additional funding was received from National Treasury.

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 R5 635 375.

2.5 Repair and maintenance total estimation are R1 258 800 which is being split between materials and contracted services.

2.6 Contracted Services costs are budgeted for R2 019 500

2.8 Bulk Purchases for Electricity amount to R13 900 368

The approved increased by NERSA are 17.86%.

2.9 Operating Grants and subsidy expenditure amounts to R12 334 511, 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 R87 146 000. These amounts are mainly recognized on the income side and on the expenditure side.

2.11 Noncash generated items R5 244 000

2.12 Other budgeted capital R8 270 000

2.13 Other expenditure amounts to R6 395 603

The major types have been increasing in relation to the previous year. A marginal increment was allocated at those expenditure types who increased. Real Budget Austerity measures are being introduced 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 nonpriority 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 budget expenditure were cut to the bone.

The budgeted expenditure for 2021/2022 are **R177 640 212** which comprise of Operating Budget of **R82 224 212** and the Capital budget of **R95 416 000**. The operating expenditure increased with 4.93%. Expenditure budget control will continue to be enforce strictly. The realization of revenue impacts on the expenditure management.

C. Tariff Increments

Tariffs expected increases for the 2021/2022 financial year are set out below. These are

1. Rates and taxes

- Over all the rates and taxes will increase by 5% 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 5%
- Conventional and prepaid electricity tariffs will be increase as per NERSA tariff increment guidelines.
- 1-50 kWh increase by 5%
- 51-350 kWh increase by 5%
- 351 and more kWh units increase by 5%

A decrease in consumption were experienced.

3. Water

- Basic fee will increase by 5%
- Water consumption will be increased by 5% in all blocks

A decrease in consumption were experienced.

4. Sewerage and sanitation

- Tariffs increased by 5%
- 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 5%

6. All other secondary tariffs.

- No increases.

Treasury guidelines for tariff increases are between 3% and 6%.

D. Indigent households

A total of almost 1 436 indigent households with a total value of R11 662 311 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 55.00
1.2 Basic electricity households	R180.52
2.1 Water 6kl	R 10.20
2.2 Basic water households	R189.29
3.1 Monthly sewerage septic tanks basics	R166.73
3.2 Monthly sewerage (sewerage network)	R313.50
4.1 Monthly refuse removal	R202.57

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

E. Conclusion

The 2021/2022 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 is 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 (6 months) for services and rates is 63% and therefore a shortfall of R6 401 022 (37%). The budget however is 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.

The balance of the budget with restricted income, and to keep tariffs affordable to consumers/ratepayers are a big challenge.

24 MARCH 2021

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