

EXECUTIVE SUMMARY

REPORT FROM BUDGET & TREASURY OFFICE

REPORT ON ANNUAL BUDGET 2021/2022

BACKGROUND

In terms of section 16 of MFMA,

- (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.

DISCUSSION

The budget is prepared to meet the Integrated Development Plan priorities as well as the strategic objectives of the Molemole Municipality. The Departments have been consulted to enhance the production of a credible balance budget. The limited funds available for the IDP priorities and strategic objectives, leads to the Departments having to prioritize in line with the agreed strategies as informed by the Strategic Planning that took place from 19 to 20 May 2021. The IDP, as informed by the agreed strategies, is available and enhances alignment with the budget. New municipal budget and reporting regulations (MBRR) were promulgated on 17 April 2009 as per Government Gazette no. 32141. As part of the new regulations a totally new format is also prescribed in which Municipalities must submit the budget for adoption and/or approval, As Molemole complied with the new format.

Attached are the following documentations:

- Tables and Supporting Tables as prescribed.

The annual budget makes provision for all the functions and responsibilities of the Molemole Municipality as provided for in the 2021/2022 financial year.

The following is a concise summary of the Annual Budget for the 2021/2022 financial year:

| EXECUTIVE SUMMARY | | | | | |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| DESCRIPTION | Original Budget 2020/21 | Draft Adjustment 2020/21 | Draft Budget 2021/22 | Draft Budget 2022/23 | Draft Budget 2023/24 |
| TOTAL TRANSFERS & SUBSIDIES | - 230,299,000 | -231,374,196 | - 206,242,000 | - 211,788,000 | - 210,266,000 |
| TOTAL OWN REVENUE | - 72,569,522 | -77,266,301 | - 107,080,039 | - 98,578,000 | - 108,699,064 |
| TOTAL INCOME | - 302,868,522 | -308,640,497 | - 313,322,039 | - 310,366,000 | - 318,965,064 |
| TOTAL : EXPENDITURE | 230,251,974 | 247,050,672 | 247,928,247 | 257,259,440 | 269,149,964 |
| SUB-TOTAL CAPITAL ACQUISITIONS | 72,616,548 | 61,589,825 | 65,393,792 | 53,106,560 | 49,815,100 |
| TOTAL MUNICIPAL BUDGET | 302,868,522 | 308,640,497 | 313,322,039 | 310,366,000 | 318,965,064 |
| SUPLUS/DEFICIT | - | -0 | - | -0 | -0 |

2. Operating Revenue amounts to **R313, 322,039.00** million for 2021/22 financial year, which shows an increase of **2%** as compared to the adjusted budget amount of **R 308 640 497** million for the 2020/21 financial year.

2.1 Property rates

An amount of **R51, 482,067.00** is expected to be collected from Government, businesses and residential properties.

2.2 Service charges

The main components of revenue from service charges are sale of electricity

R11, 711,304.00 and Refuse removal of **R2, 484,575.00**

2.3 Rent of facilities and equipment

Expected revenue for 2021/2022 amounts to **R253, 997.00** from rental of buildings.

2.4 Interest earned

This source of revenue refers to interest earned on the investment to the amount of **R2, 708,205.00** and the **R1, 515, 291.00** be earned from outstanding debtors.

2.5 Transfers recognized - operational

Bulk from this source is from equitable share of **R155, 513,000.00**, **R2, 300,000.00** from Financial Management Grant, **R1, 850,000.00** from MIG allocation for project Management Unit which is 5% of the allocation and **R1, 429,000.00** for Expanded Public Works Programme.

2.6 Agency Services

Commission on water amounts to **R438, 142.00** and sanitation amounts to **R283, 566.00**.

2.7 Other own revenue

Other revenue amounts to **R27, 360,168.00** million and consists of the following main Elements:

- Traffic fines R1, 338,689.00
- Licensing and Registration R7, 686,174.00
- Other operating revenue R18, 335,305.00 (Sale of stands and investments)

2.8 Transfers recognized – capital

An amount of R35,150,000.00 million which is for MIG 2021/ 2022 allocation from National Government and R10,000,000.00 for INEP and the total allocation for capital grants is **R35,160,000.00**.

3. OPERATING EXPENDITURE

Operating expenditure amounts to **R247, 928,247.00** million for the 2021/22 financial year.

3.1 Employee related costs

The following were taken into consideration

The salary and wage agreement for the previous three years has come to an end and the new agreement is under consultation. As guided by Circular No. 107 and 108 it states that in absence of any information in this regard from the bargaining council (SALGBC), municipalities are advised to take into account their financial sustainability when considering salary increase.

An increase of 7% for municipal staff, Councilors and Section 57 senior managers was used to increase salaries.

Total Employee related costs amounts to **R120, 742,274.00 million** which represents 49% of total operating expenditure. The norm in terms of Circular 71 should be between 25% and 40% as the municipality we are above the norm by 9%

3.2 Remuneration of Councilors

Provision of R15,010, 262.00 is made for councilor allowances.

3.3 Debt impairment

Debt impairment relates to the provision for working capital for an amount of R6, 337,663.00

3.4 Depreciation

Provision for depreciation for the 2021/2022 financial year amounts to R18, 994,738.00 million and makes provision for current assets, assets to be purchased.

3.5 Bulk purchase of Electricity

A provision of R11, 468,179.00 was made.

3.6 Contracted Services

An amount of **R43, 043,735.00** was made available for 2021/2022 financial year. It includes the repairs and maintenance budget of **R 18, 077, 243.00** which represents 7% of the total operating expenditure and it is in line with the norm of 8% as per Circular 71.

3.7 Other general expenditure

Other general expenditure amounts to **R48, 258,699.00** million and represents 19% of Total operating expenditure for the 2021/2022 financial year.

4.1 Capital expenditure

The 2021/22 capital budget amounts to **R65, 393, 792.00** million which shows an increase of 5% as compared to the Adjusted budget of **R 61, 589, 825.00** million for 2020/21 financial year.

Major projects are within the Technical services department funded by the MIG grant are as follows:

- Kgwadu Internal Streets
- Phaudi Internal Streets
- Ga Sako Internal Streets

| CAPEX PER DEPARTMENTS | | | | | | | |
|-----------------------------------|--------------------------------|-----------------------------|--------------------|-----------------------------|-------------------|-----------------------------|--------------------|
| | | | | | | | |
| TYPE | Adjusted Budget 2020/21 | Draft Budget 2021/22 | % Allocated | Draft Budget 2022/23 | %Allocated | Draft Budget 2023/24 | % Allocated |
| CORPORATE SERVICES | 6,933,000 | 4,286,000 | 7 | 1,104,160 | 2 | 330,000 | 1 |
| PLANNING AND ECONOMIC DEVELOPMENT | - | - | - | - | | - | |
| MUNICIPAL MANAGER'S OFFICE | 150,000 | 100,000 | 0 | 100,000 | 0 | 100,000 | 0 |
| MAYOR'S OFFICE | - | - | - | - | | - | |
| BUDGET AND TREASURY | 550,000 | 300,000 | 0 | - | | - | |
| COMMUNITY SERVICES | 300,000 | 2,810,000 | 4 | 2,100,000 | 4 | - | |
| TECHNICAL SERVICES | 53,656,825 | 57,897,792 | 89 | 49,802,400 | 94 | 49,385,100 | 99 |
| | | | | | | | |
| TOTAL OPEX PER DEPARTMENTS | 61,589,825 | 65,393,792 | 100 | 53,106,560 | 100 | 49,815,100 | 100 |