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ALL CORRESPONDENCE TO BE ADDRESSED TO THE MUNICIPAL MANAGER

EXECUTIVE SUMMARY

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.

1. PURPOSE

1.1 The purpose for this report is to seek EXCO/ Council to approve the 2022/2023 final budget, procurement plan and budget related policies (including tariff structure).

2. DISCUSSION

2.1 The budget is prepared to meet the Integrated Development Plan priorities as well as the strategic objectives of the Molemole Municipality.

2.2 The internal departments have been consulted to enhance the production of a credible balanced budget.

2.3 The limited funds available for the IDP priorities and strategic objectives, led to the Departments having to prioritize the projects in line with the agreed strategies as informed by the inputs and comments made during the public participation on IDP/Budget.

2.4 This budget was also complied in line with the Municipal Budget and Reporting regulations (MBRR) which were promulgated in April 2009 (Government Gazette no. 32141).

2.5 As part of the 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.

2.6 The annual budget makes provision for all the functions and responsibilities of the

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Molemole Municipality as provided for in the 2022/2023 financial year

3.The following is a concise summary of the Annual Budget for the 2022/2023 financial year:

FINAL BUDGET SUMMARY				
DESCRIPTION	Draft Adjustment 2021/22	Final Budget 2022/23	Final Budget 2023/24	Final Budget 2024/25
SUB TOTAL : EMPLOYEE RELATED COST	98,332,950	104,718,396	108,850,346	113,600,089
SUB TOTAL : REMUNERATION OF COUNCILLORS	14,347,010	13,973,925	14,452,924	15,037,372
SUB TOTAL : CONTRACTED SERVICES	40,642,562	41,271,402	41,104,247	42,901,726
SUB TOTAL : OPERATIONAL COST	32,813,310	39,427,087	38,201,276	39,838,406
SUB TOTAL - INVENTORY	6,189,473	7,503,880	7,834,051	8,186,583
SUB TOTAL : BULK PURCHASES	11,468,179	11,926,906	12,451,690	13,012,016
SUB TOTAL - INTEREST DIVID & RENT - LAND	111,490	116,842	121,983	127,472
SUB TOTAL : OPERATING LEASES	2,548,320	2,456,539	3,331,595	3,513,651
SUB TOTAL : BAD DEBTS WRITTEN OFF	3,337,664	3,497,872	3,651,778	3,816,108
SUB TOTAL : DEPRECIATION & AMORTISATION	18,994,790	19,812,993	20,684,765	21,615,579
TOTAL : EXPENDITURE	228,785,748	244,705,842	250,684,655	261,649,003
TOTAL CAPITAL ACQUISITIONS	64,496,607	58,022,400	63,085,100	67,060,440
TOTAL MUNICIPAL BUDGET	293,282,355	302,728,242	313,769,755	328,709,443
SUB TOTAL : PROPERTY RATES	(39,609,853)	(47,896,846)	(44,963,090)	(46,999,004)
SUB TOTAL : FINES PENALTIES AND FORFEITS	(1,338,690)	(1,402,947)	(1,464,677)	(1,530,587)

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SUB TOTAL : TRANSFERS & SUBSIDIES	(207,242,000)	(212,260,000)	(231,137,000)	(242,346,000)
SUB TOTAL : SERVICE CHARGES	(14,195,880)	(27,090,175)	(21,507,269)	(22,474,736)
SUB TOTAL : INTEREST DIV RENT ON LAND	(3,569,508)	(3,902,644)	(4,074,361)	(4,257,707)
SUB TOTAL : INT DIV RENT ON LAND NON-EXC	(688,897)	(721,964)	(753,730)	(787,648)
SUB TOTAL : AGENCY SERVICES	(721,709)	(756,351)	(789,630)	(825,164)
SUB TOTAL : OPERATIONAL REVENUE	(17,839,030)	(232,840)	(243,085)	(254,024)
SUB TOTAL : RENTAL FROM FIXED ASSETS	(253,998)	(266,190)	(277,902)	(290,408)
SUB TOTAL : SALES & RENDERING OF SERV	(136,616)	(143,174)	(149,473)	(156,199)
SUB TOTAL : LICENCES AND PERMITS	(7,686,174)	(8,055,110)	(8,409,535)	(8,787,964)
TOTAL INCOME	(293,282,355)	(302,728,242)	(313,769,754)	(328,709,443)
SURPLUS/DEFICIT	0	0	0	0

2. Operating Revenue amounts to **R302, 728,242.00** million for 2022/23 financial year, which shows an decrease of **3%** as compared to the adjusted budget amount of **R 293 282 355** million for the 2021/22 financial year.

2.1 Property rates

An amount of **R47, 896,090.00** 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

R22, 986,340.00 and Refuse removal of **R4, 103,836.00**

2.3 Rent of facilities and equipment

Expected revenue for 2022/2023 amounts to **R266, 190.00** from rental of buildings.

2.4 Interest earned

This source of revenue refers to interest earned on the investment to the amount of **R3, 000,000.00** and the **R1, 588, 028.00** be earned from outstanding debtors.

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2.5 Transfers recognized - operational

Bulk from this source is from equitable share of **R168, 761,000.00**, **R2, 300,000.00** from Financial Management Grant, **R1, 989,600.00** from MIG allocation for project Management Unit which is 5% of the allocation and **R1, 407,000.00** for Expanded Public Works Programme.

2.6 Agency Services

Commission on water amounts to **R459, 174.00** and sanitation amounts to **R297, 177.00**.

2.7 Other own revenue

Other revenue amounts to **R9, 834,071.00** million and consists of the following main Elements:

- Traffic fines R1, 402,947.00
- Licensing and Registration R8, 055,110.00
- Other operating revenue R 376,014.00

2.8 Transfers recognized – capital

An amount of R37,802,400.00 million which is for MIG 2022/ 2023 allocation from National Government.

3. OPERATING EXPENDITURE

Operating expenditure amounts to **R244, 705,842.00** million for the 2022/23 financial year.

3.1 Employee related costs

The following were taken into consideration

As guided by the salary and wage agreement the increase for the 2022/23 financial year and Circular No 116. The Municipality increased the salaries municipal staff, Councilors and Section 57 senior managers by 4.8%

Total Employee related costs amounts to **R104, 718,396.00 million** which represents 48% 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 8%

3.2 Remuneration of Councilors

Provision of R13.973, 925.00 is made for councilor allowances.

3.3 Debt impairment

Debt impairment relates to the provision for working capital for an amount of R3, 497,872.00

3.4 Depreciation

Provision for depreciation for the 2022/2023 financial year amounts to R19, 812,993.00 million and makes provision for current assets, assets to be purchased.

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3.5 Bulk purchase of Electricity

A provision of R11, 926,906.00 was made.

3.6 Contracted Services

An amount of **R41, 271,402.00** was made available for 2022/2023 financial year. It includes the repairs and maintenance budget of **R 15, 444, 086.00**

3.7 Other general expenditure

Other general expenditure amounts to **R49, 387,506.00** million and represents 20% of Total operating expenditure for the 2022/2023 financial year.

4.1 Capital expenditure

The 2022/23 capital budget amounts to **R58, 022, 400.00** million which shows a decrease of 11% as compared to the Adjusted budget of **R 64, 496, 607.00** million for 2021/22 financial year.

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

- Phaudi internal street
- Maupye internal street
- Mokgehle Internal street
- Ga Sako Internal street.

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