

Kareeberg



Municipality (NC 074)

**FINAL BUDGET EXECUTIVE SUMMARY
2022/2023 MTREF**

Executive Summary

Final Budget 2022/2023 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, 108 and 115.. **The latest MFMA Circular, no. 115 set the tone during the budget process.**

The inputs during the IDP meetings were incorporated in the wish list. No inputs were received from the departments.

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

A Revised IDP will be tabled to Council during March 2022 and will be published for comments before it could be adopted by Council during the final budget meeting of 30 May 2022.

Kareeberg Municipality total direct Final Capital Budget for 2022/2023 financial year amounts to R38 954 000

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

1.a	Capital Grants		R27 006 000
1.1	Municipal Infrastructure Grant		R19 506 000
	- Upgrade of streets in Ward 5 – Vanwyksvlei	R 2 006 000	
	- Upgrade of oxidation ponds – Carnarvon	R 4 250 000	
	- Upgrade of oxidation ponds – Vosburg	R 2 250 000	
	- Upgrading of Sport stadium Ward 5 – Vanwyksvlei	R 11 000 000	
1.2	Upgrading electricity 22 KV Substation Carnarvon		R 7 500 000
1.b	Capital Own funding (VAT and interest)		R 1 060 000
	- Carpets Carnarvon Office	R 80 000	
	- Curtains Carnarvon Council Chambers	R 80 000	
	- Parking garages Vehicles Carnarvon	R 200 000	
	- Purchasing of a second hand TLB	R 650 000	
	- Chairs Vanwyksvlei Community Hall	R 50 000	
1.3	Roll over funds		R10 880 000
1.3a	Municipal Infrastructure Grant		
	- Completion of Vosburg High Mast Light		R 1 600 000
1.3b	Water Services Infrastructure Grant		
	- Completion of the replacing of asbestos pipelines Carnarvon		R 3 000 000
1.3c	Own Funds		
	- Purchasing of vehicles		R 6 280 000

B. OPERATING BUDGET

1. Budget Income

1.1 Total expected Net Rates Income will be R11 475 241

The declaration of the SKA farms as a reserve will result in a loss of income in the near future.

1.2 Other Levied Services budgeted income are almost R16 270 236 (free basic services deducted)

- 1.2.1 Electricity amounts to R9 376 663
- 1.2.2 Water amounts to R3 125 982
- 1.2.3 Sewerage amounts to R1 680 513
- 1.2.4 Refuse removal amounts to R2 087 078

1.3 Rental of facilities and equipment expected income will be R147 409

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

1.4 Interest income will be R2 675 422

- 1.4.1 Interest on External Investments amount to R2 674 330
- 1.4.2 Interest charged on arrear accounts amount to zero
- 1.4.3 Interest earned – outstanding debtors amounts to R1 092

Budgeted income decreases due to low interest rates and less grants allocated.

1.5 Operating Grants and Subsidies amount to R38 449 000

- 1.5.1 Equitable Share R33 449 000
- 1.5.2 Finance Management Grant R 2 850 000
- 1.5.3 Library Development fund R 1 200 000 (preliminary)
- 1.5.4 EPWP Grants (project) R 950 000

1.6 Other Budgeted Revenue R51 892 609

1.7 The Total Budgeted Revenue (Income) for the 2022/2023 Financial year are R131 870 081. The total budgeted income consists out of

- 1.7.1 Capital Grants R27 006 000
- 1.7.2 Capital Roll over R10 880 000
- 1.7.2 Operating Grants and Subsidies R38 449 000
- 1.7.3 Borrowed Capital R 0
- 1.7.4 Own generation of budgeted income R36 730 706
- 1.7.5 Noncash generated items R18 804 375

There is an increase in total budgeted income of 41.66% in relation to the previous year's decrease of 0.05%.

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

2. Expenditure

2.1 Salary and wages

- The total salaries and social contributions for the year amount to R25 047 317
- Annual increase of 4.9% 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 and council remuneration percentage to the **Operating Budget is 31.88%**.

2.2 Councillor Remuneration

- Councillor Remuneration amounts to R4 577 829

Budget increased with R404 526, which includes the executive committee and speaker and an increase of 4.9%. Additional funding was received from National Treasury.

2.3 Provision for Bad Debts, working capital reserve to R7 925 000

Great efforts must be employed by Council and Administration to ensure that all communities of Kareeberg pay their municipal accounts. The credit control policy must be enforced otherwise the municipality will experience cash flow problems.

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 R7 292 035 due to re-allocation according to mSCOA An amount of R970 013 also budgeted for the maintenance contract of Vanwyksvlei pipeline

2.7 Bulk Purchases for Electricity amount to R16 825 531

The approved increased by NERSA are 8.61%, according to the letter received from Eskom on 1st April 2022

2.8 Operating Grants and subsidy expenditure amounts to R16 005 783, which are mostly spent on the indigent households for the subsidized free basic services provide to approve indigent households.

2.9 Capital Grants payments amounts to R27 006 000 and a rollover of R10 880 000. These amounts are mainly recognized on the income side and on the expenditure side.

2.10 Non-cash generated items R5 244 000 (provision medical and waste sites)

2.11 Other expenditure amounts to R2 142 398

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 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 budget expenditure were cut to the bone.

The budgeted expenditure for 2022/2023 are **R131 870 081** which comprise of Operating Budget of **R92 924 081** and the Capital budget of **R38 954 000**. The operating expenditure increased with 8.92%. 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 2022/2023 financial year are set out below. These are

1. Rates and taxes

- Over all the rates and taxes will increase by 6% 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 55% excluding state owned properties.
- Businesses properties rebate 40%.

2. Electricity

- Basic fee will increase by 6 (5)%
- Conventional and prepaid electricity unit costs will be increase as follows as per NERSA's benchmark dated 4 April 2022:
 - 1-50 kWh increase by 7.47 (5)%
 - 51-350 kWh increase by 7.47 (5)%
 - 351-600 kWh increase by 7.47 (5)%
 - Above 600 kWh units increase by 7.47 (5)%
 - Commercial units increase by 7.47 (5)%

A decrease in consumption were experienced.

3. Water

- Basic fee will increase by 6 (5)%

- Water consumption will be increased by 6 (5)% in all blocks

A decrease in consumption were experienced.

4. Sewerage and sanitation

- Tariffs increased by 6 (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. Because of the monthly levy experienced a decrease in suction paid and an request increase for the service.

5. Refuse removal

- Tariffs increased by 6 (5)%

6. All other secondary tariffs.

- No increases.

The low consumption of water and electricity as well as the total number of consumers per service means that a 1% increase in tariffs does not made a huge impact.

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 R12 809 400 are expected to receive subsidized services every month. The subsidized services include

1. Rates	R0
<small>(The first R25 000 of municipal valuations exempted from paying Rates and taxes)</small>	
1.1 50 kWh of electricity	R 59.50
1.2 Basic electricity households	R191.35
2.1 Water 6kl	R 11.00
2.2 Basic water households	R200.65
3.1 Monthly sewerage septic tanks basics	R176.73
3.2 Monthly sewerage (sewerage network)	R332.31
4.1 Monthly refuse removal	R214.72

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

E. Conclusion

The 2022/2023 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 51% and therefore a shortfall of R5 776 687(49%). The budget however is based on a 100% collection rate.

We receives R6 141 000 more equitable share than the previous year. This makes a huge impact on the balancing of the budget, however we still have to budget for the maximum tariff increases of 6%, as prescribed.

A very great concern also is that the budget only balance after the including of interest on the once off advance equitable share.

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.

No written inputs were received from the community on the budget. A meeting was also held with the management of Agri Carnarvon.

Provincial Treasury in their feedback on the assessment of the draft budget confirmed that the budget is **funded** and **sustainable**.

27 May 2022

ACTING MUNICIPAL MANAGER