

## **Executive Summary**

Municipal Governments face multiple pressures with the years ahead, with Local Government expected to expand service delivery, also address challenges brought by the Coronavirus e.g. unemployment, poverty and increase in child headed families. Which necessitated the need to provide free services (Indigent on property rates, refuse collection and free basic electricity) for households.

The economy of the country is in the bad state, as a result allocation to Municipalities that are grant dependent has been affected. This made the Municipality to exercise caution when preparing the Final Budget for 2021/22 financial year. It is advised that Municipalities follow a conservative approach when projecting revenue and eliminate wastage or unnecessary expenditure. It is imperative that Municipalities should ensure that the Budgets they adopt are realistic and funded, that debts that are collectable are collected and that the creditors are paid within 30 days upon receipt of invoice. Legislation governing Local Government put the emphasis on community participation in decision making.

The budget 2021 reflect series of economic and fiscal challenges that the country is facing. The central economic policy goal of the government is to accelerate inclusive growth and create jobs. The main objective is to ensure sustainable finances by containing the budget deficit and stabilising public debt.

### **To combat unemployment the municipality will employ the following measures:**

- Providing support to agricultural activities through farms (LED projects)
- For construction of infrastructure faders, the municipality requires that 10 % of the contract should be done by the local contractor. This is part of supporting small businesses.

The President State of Nation Address focused on defeating the coronavirus pandemic and implementation of economic reforms to create sustainable jobs and drive inclusive growth. The Municipality had to factor in the negative impact the coronavirus (covid 19) has on the community.

The Municipality is concerned about the impact the virus will have on health care, education and the most vulnerable people in rural areas.

National Treasury encourages Municipalities to maintain tariff increase at levels that reflects an appropriate balance between the affordability to the poorer households and other customers, while ensuring the financial sustainability of the municipality. The municipality must ensure that its budget is funded.

The initial cost containment measures were introduced through a MFMA- circular. Building on the MFMA circular, National Treasury and other stakeholders therefore drafted the Municipal cost containment regulations that promotes the cost containment measures introduced in several spending areas. Cost Containment Regulations were issued on 07<sup>th</sup> June 2019.

The implementation of cost containment measures is important as it will assist municipalities to reprioritise expenditure and to free up resources targeted forward service delivery. It will also be used to eliminate wastage of public resources on non- service delivery items. The main objective is to ensure that the resources of Municipalities are used an effective, efficient, and economical manner.

**The Municipality focused on the following when it prepared its final budget:**

- Improve the effectiveness of revenue management processes.
- Paying attention to the Cost Containment measures
- Ensuring value for money through the procurement processes

The application of sound financial management principles for the compilation of the Dannhauser's financial plan is essential and critical to ensure that the Municipality remains financially viable and that Municipal services are provided sustainably, economically and equitable to all words. As a result of unemployment and slow growth municipalities are advised to consider a more conservative approach.

The integrated development plan was used as a guiding strategic document to inform the budget compilation. The standing challenge remains to deliver services more efficiently and effectively with the tight financial envelope.

**COUNCIL**

**Recommendation**

That the following resolutions in terms of sections 17(3)(a)(i) and section 24 of the Municipal Finance Management Act, (Act 56 of 2003) be considered for approval:

**Resolutions:**

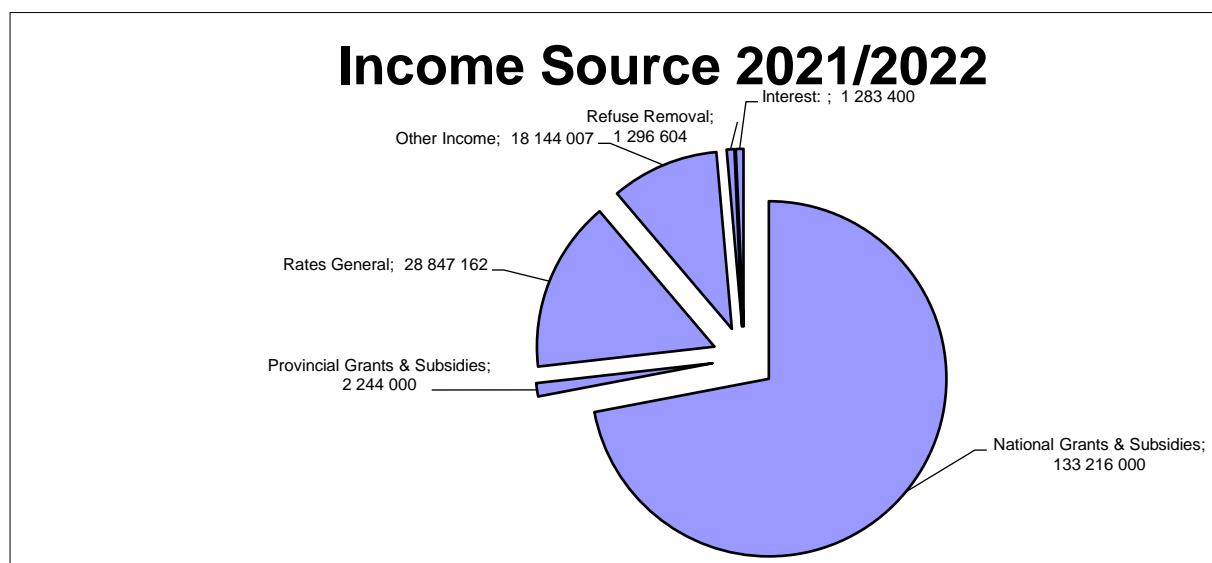
- a) Budget related policies
- b) that the annual budget for the financial 2021/22 year and indicative outer years 2022/23 and 2023/24 be approved
  - I. Capital expenditure by project
  - II. Capital funding by source
  - III. Operating revenue by source as contained in Table A4 of the report
  - IV. Operating expenditure by type as contained in Table A4 of the report
  - V. Tariffs for Property rates and other Services
  - VI. that the capital funding, both internal and external funding

**The national budget focuses on fiscal consolidation.**

The total budget quantum for the 2021/22 year is R 208 362 590.00 of which R 65 374 000.00 is for capital projects and 142 990 590.00 is for operational budget.

## Operation Budget - Revenue

Revenue Categories				
	2020/2021	2021/2022	Difference	Percentage
Property Rates	30,438,905.00	28,847,162.00	- 1,591,743.00	- 5.52
Refuse	1,245,537.00	1,296,604.00	51,067.00	3.94
Rental of facilities	20,363.00	21,198.00	835.00	3.94
Fines	5,900.00	6,142.00	242.00	3.94
Business licence and permits		25,000.00	25,000.00	100.00
Other Income	18,638,626.00	19,375,067.00	736,441.00	3.80
Operational + Capital grants	117,391,000.00	132,080,000.00	14,689,000.00	11.12
	<b>167,740,331.00</b>	<b>181,651,173.00</b>	<b>13,910,842.00</b>	<b>7.66</b>



- Tariffs increases
  - Property Rates 4.6%
  - Refuse Removal 4.6%
  - Rental of Facilities 4.6%

**Grant**

In terms of the division of revenue act for 2021/22, the following grants allocated to Dannhauser Municipality.

Equitable Share	R 100 522 000.00
Municipal Infrastructure Grant	R 30 794 000.00
Municipal Finance Grant	R 1 850 000.00
Provincialisation of libraries	R 935 000.00
Community libraries	R 1 309 000.00

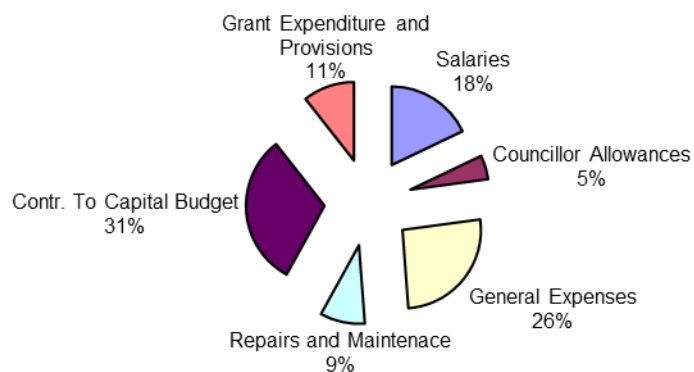
The municipality did not receive EPWP grant in 2021/22

## OPERATING BUDGET-EXPENDITURE

The budget sees an increase in annual operating expenditure from R 111 869 766.00 to R 142 990 590.00 in 2021/22. This 23 % increase is primarily due to increases in several expenditure categories, example which are included in the table below.

Expenditure Categories				
	2020/2021-Adjust	2021/2022	Differences	Percentage
Employee Related Costs	26,157,042.00	37,327,886.00	11,170,844.00	30
Remuneration of Councillors	8,312,924.00	10,295,163.00	1,982,239.00	19
repairs and maintances	23,331,637.00	19,231,749.00	-4,099,888.00	-21
General expenditure	42,240,516.00	54,053,792.00	11,813,276.00	22
Depreciation and Impairment	21,000,000.00	19,000,000.00	-2,000,000.00	-11
Grants expenditure& Provisions	1,865,528.00	2,244,000.00	378,472.00	17
TOTAL	122,907,647.00	142,152,590.00	19,244,943.00	14

### Expenditure 2021/2022



### **Employment Related Costs**

The salaries and allowances are 18% of total expenditure. The budget amount for salaries and allowances is R 37 327 886.00, which is 17% increase on the audited financial statements. It is further noted that the Salary and Wage Collective Agreement for the period 01 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation.

### **Councillor Allowances**

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. Councillors Allowances are 5 % of the total budget, which is R 10 295 163.00.

### **Repairs and Maintenance**

Repairs and Maintenance decrease by 22% when compared to adjustment budget, the heavy rains that affected the infrastructure are the main reason for the increase in the adjustment. The overall percentage of Repairs and Maintenance is 9% of the total expenditure.

### **General expenses and Contacted Services**

The expenditure under this item increased by R 10 663 276.00, CPI inflation for 2021/22 is 3.9% in terms of circular 108 MFMA. Beside the increase on CPI and there have been additional projects under communications and reports for exiting of the council.

## Capital Projects

Capital projects are service delivery projects for the municipality and stand at 31% of the total budget. Multiyear projects will completed on this budget e.g. Testing ground and New Offices. It has been difficult for the municipality to strike a balance between backlog on the infrastructure and limited revenue sources of the municipality. And ensuring that the municipality produced credible budget funded budget.

Project list	2021/2022
MASTLIGHTS ( WARD 5 & 13)	700,000.00
CONSTRUCTION OF HALL (WARD 13)	1,500,000.00
FENCING FARMS	200,000.00
INDUSTRIAL PRECINT	1,000,000.00
NEW OFFICES( Ward 2)	4,000,000.00
ELECTRIFICATION -INTERNAL FUNDING( WARD 1 & 2)	3,000,000.00
NEW OFFICES ROAD & PARKING	2,000,000.00
SANITATION & WATER (INDUSTRIAL AREA)	1,000,000.00
STREETLIGHTS WARD 2)	300,000.00
CHILD CARE FACILITY (WARD 1)	1,500,000.00
TESTING GROUND ( Ward 2)	3,000,000.00
PURCHASE OF LAND	500,000.00
COMMUNITY HALLS -(WARD 9 & 10 ) MIG	11,200,000.00
URBAN ROADS- ( WARD 2 & 3 )MIG	5,797,000.00
DISASTER HOUSES ( WARD 4, 5,7 & 13)	1,500,000.00
MOBILE CRECHE ( WARD 7)	500,000.00
DURNACOL SPORT CENTRE	8,000,000.00
RURAL ROADS( WARD 8 & 12)- MIG	5,797,000.00
GRANDSTANDS( WARD 7 & 8 )	500,000.00
WATER HARVESTING(WARD 1, 4, 6 & 11)	2,000,000.00
SPORT COMBO ( WARD 3,10 & 12)	4,000,000.00
TOTAL	57,994,000.00