

ITEM: MUNICIPAL COUNCIL MEETING
DATE: 30 MARCH 2023

DRAFT BUDGET-2023/2024

BUDGET AND TREASURY DEPARTMENT

ROUTING : COUNCIL

PURPOSE

The purpose of the report is to table the Draft 2022/23 Medium-Term Revenue and Expenditure Framework in terms of Section 16(2) of the Local Government Finance Management Act (MFMA) to Council for approval.

LEGISLATION REQUIREMENTS

Section 16(1) of the Municipal Finance Management Act requires that the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(2) stipulates that in order 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.

Section 22 of the MFMA further stipulates that immediately after the annual budget is tabled in a municipal Council meeting, the accounting officer must make public the annual budget and documents in terms of section 17; invite the local community to submit representations in connection with the budget; and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

Section 17 of the MFMA states that an annual budget must be in a schedule in the “prescribed format”. Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that: “The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information.”

Section 22 of the MFMA states that immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must—

(a) in accordance with Chapter 4 of the Municipal Systems Act—

(i) make public the annual budget and the documents referred to in section 17(3); and

(ii) invite the local community to submit representations in connection with the budget; and

(b) submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget

BUDGET GUIDELINES

The budget guidelines are based on the current circular 125, Municipal Budget Circular for the 2023/24 MTREF. This is a follow-up budget circular to MFMA Circular No. 122 that was issued on 09 December 2022. It aims to provide further guidance to the municipalities in preparation of 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) budgets and has been read together with the budget circulars that have been issued previously.

Key Focus Areas for 2023/24 Budget Process in Dannhauser Municipality

1. Grants allocation per 2023/24 DORA framework

GRANTS ALLOCATION 2023/24	
MIG INFRASTRUCTURE GRANT	- 25 271 000,00
FMG GRANT	- 1 950 000,00
INTEGRATED ELECTRIFICATION GRANT	- 2 346 000,00
EQUITABLE SHARE	- 114 793 000,00
EXPANDED PUBLIC WORKS PROGRAMME	- 950 000,00
NATIONAL GRANTS	- 145 310 000,00

2. Revenue Budget

The weak economic growth has put pressure on consumers' inability to pay for services, while transfers from national government are growing more slowly than in the past. Dannhauser municipality has fallen into financial distress and face liquidity problems similar to other local government institution. The municipality rely on the revenue collected from rates and service charges other than the government grants. Our debtor's book has risen to R52million due to the consumers' inability to pay for services. There is a need that we focus on collecting revenue owed and eliminate wasteful expenditure, furthermore as the municipally we need to have revenue strategies on how to improved revenue without only relying on rates and services. The 2023/24 tariffs will be increased by 5.4%.

3. Employee Related Costs and Councilors remuneration

In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 (5.4 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023) and 2024 (4.8 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023). The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees.

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.

4. Conditional Grants Transfers to municipalities

The equitable share release criteria for 2023/24 were set out in MFMA Circular No. 122. To assist with managing this process, a guiding checklist has been developed which municipalities can follow throughout the course of the year to ensure that the required documents are timeously uploaded to the GoMuni platform in line with the prescribed deadlines.

In terms of Section 21 of the Division of Revenue Act, 2022 (Act No.5 of 2022) (DoRA) in conjunction with the Division of Revenue Amendment Act, 2022 (Act No. 15 of 2022) (DoRA), the Act requires that any conditional allocation or a portion thereof that is not spent at the end of the 2022/23 financial year reverts to the National Revenue Fund (NRF), unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

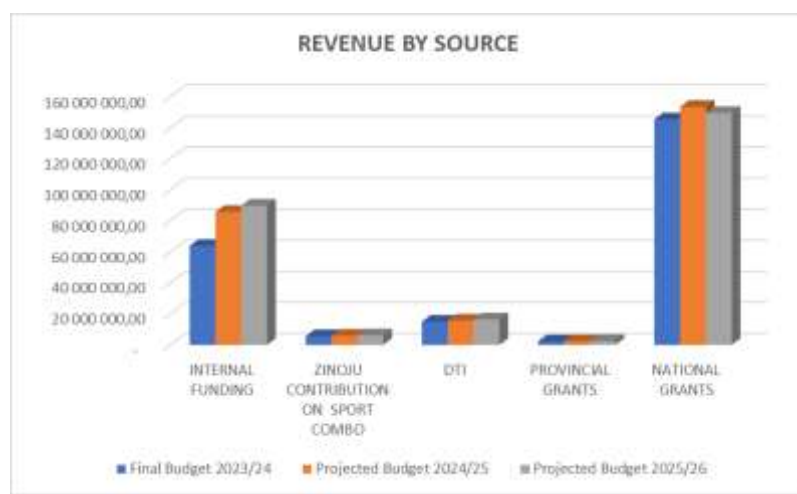
Underlining principles for the Draft Budget

- According to the NT circular inflation has been assumed at 4.8% in 2022/23, 4.4% in 2023/24 and 4.5% in 2024/25 in line with Municipal Budget Circular 115 for the 2022/23 MTREF;
- Realistically anticipated revenues to be collected;
- Tariff increases are in accordance with the guidelines which are based on the SA inflation rate;
- Projects and programs must be within affordability limits;
- Only funded projects that are ready for implementation will be prioritized in the 2023/24 financial year;
- The operating expenditure baseline was reduced, and the focus must be on efficiency gains and the principle of value for money (doing more with less, while prioritizing service delivery);
- Some projects are recommended to be multiyear projects to spread the funding amongst to the outer years in order to ensure Dannhauser Municipality submit and approve a funded budget;
- The budget must be aligned to the IDP priorities; 2023/24 Adjustment budget priorities and targets as well as the baseline allocations contained in the approved adjustment budget; the grants allocated in DORA for 2023/24 financial year;
- Salary increases have been estimated at 5.4% in 2023/24 whilst waiting for the Bargaining Committee's approved Salary and Wage Agreement and
- The budget related policies are being reviewed and where any adjustments are required, the revised policies will be attached to the final item for approval.

2023/2024 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

Revenue Budget

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual Revenue</u>	<u>Draft Budget</u>	<u>Projected</u>	<u>Projected</u>
	<u>2022/23</u>	<u>2022/23</u>	<u>2022/23</u>	<u>2023/24</u>	<u>Budget 2024/25</u>	<u>Budget 2025/26</u>
ASSESSMENT RATES	- 30 285 000	- 30 285 000	- 17 276 615	- 31 920 390	- 52 145 544	- 54 595 385
SERVICE CHARGES	- 2 117 798	- 1 865 760	- 777 400	- 1 966 511	- 2 053 037	- 2 145 424
OTHER REVENUE	- 43 722 466	- 29 902 937	- 7 670 687	- 48 356 316	- 50 848 666	- 53 231 383
INTEREST - EXTERNAL INVESTMENTS	- 387 739	- 1 200 000	- 746 772	- 1 848 000	- 1 947 792	- 2 037 390
TRAFFIC FINES	- 403 002	- 403 002	- 22 380	- 424 764	- 445 578	- 466 520
MUNICIPAL REVENUE	- 76 916 005	- 63 656 699	- 26 493 854	- 84 515 981	- 107 440 617	- 112 476 102
PROVINCIALISATION OF LIBRARY - ARTS & CULTURE	- 981 000	981 000	981 000	- 981 000	- 1 029 069	- 1 077 435
COMMUNITY LIBRARY SERVICES - ARTS & CULTURE	- 1 372 000	1 372 000	1 372 000	- 1 372 000	- 1 439 228	- 1 506 872
PROVINCIAL GRANTS	- 2 353 000	- 2 353 000	- 2 353 000	- 2 353 000	- 2 468 297	- 2 584 307
MIG INFRASTRUCTURE GRANT	- 24 347 000	- 30 547 000	- 8 000 000	- 25 271 000	- 26 254 000	- 27 278 000
FMG GRANT	- 1 950 000	- 1 950 000	- 1 950 000	- 1 950 000	- 1 950 000	- 2 050 000
INTEGRATED ELECTRIFICATION GRANT	- 5 040 000	- 5 040 000	- 3 540 000	- 2 346 000	- 4 000 000	- 4 179 000
EQUITABLE SHARE	- 108 935 000	- 108 935 000	- 78 796 000	- 114 793 000	- 121 202 000	- 115 915 000
EQUITABLE SHARE - COUNCILOR ALLOWANCES	- 5 188 000	- 5 188 000	- 5 188 000	-	-	-
EXPANDED PUBLIC WORKS PROGRAMME	- 950 000	- 950 000	- 238 000	- 950 000	-	-
NATIONAL GRANTS	- 146 410 000	- 152 610 000	- 97 712 000	- 145 310 000	- 153 406 000	- 149 422 000
TOTAL BUDGETED REVENUE	- 225 679 005	- 218 619 699	- 124 205 854	- 232 178 981	- 263 314 914	- 264 482 409



Analysis of Revenue

Assessment rates

The estimated budget for the assessment rates were calculated based on the old Valuation Roll. The municipality will implement a new valuation roll with effect from 1 July 2023. This valuation roll is currently in the objection phase meaning the valuations might change from customers' objections. The assessment rate was based on the rates tariffs which were increased by 5.4% as per the guidelines.

Service charges

The Dannhauser municipality only have one service charges, the Refuse removal. The budget has been based on current years billing and was increased by 5.4%.

Interest on Investment income

Interest on investment was underbudgeted in the current year then during the adjustment budget it was increased to R1.2 million. This was encouraged by the interest received to date which was the double budget amount in the mid-year review. The proposed budget for interest has been increased also for the next year.

Traffic Fines and Licenses

The following items are included in this revenue budget,

- Traffic Fines – the municipality must implement ways of enhancing revenue received from fines
- Vehicle licenses
- Drivers and learners' licenses

Other revenue

The following items are included in this revenue budget,

- Fees from the tariff policy
- Sundries
- VAT received
- Revenue to be received from the mines and DTI

Other revenue is expected to increase by 5.4 % in the budgeted year.

Provincial Grants

This is the library grants subsidized by the Provincial Department of Art and Culture. The current allocation has been gazetted.

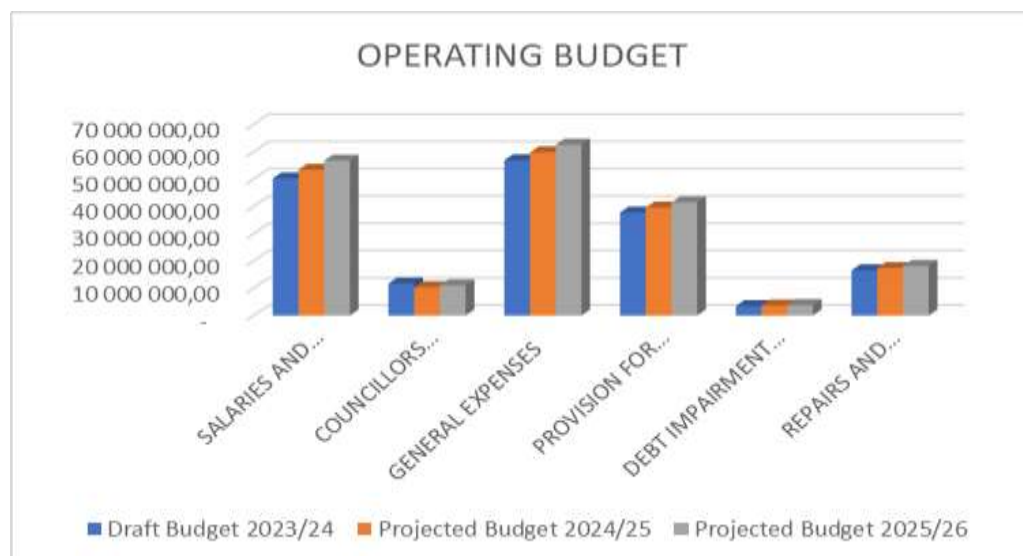
National Grants

These are all the grants that have been gazetted from DORA for Dannhauser Municipality,

- Equitable Share R114million
- MiG R25million
- INEP R2million
- FMG R1.9million
- EPWP R0.9million

EXPENDITURE BUDGET

	<u>Draft Budget</u> <u>2023/24</u>	<u>Projected</u> <u>Budget 2024/25</u>	<u>Projected</u> <u>Budget 2025/26</u>
OPERATIONG BUDGET			
SALARIES AND ALLOWANCES	50 290 116,36	53 435 997,51	56 811 900,36
COUNCILLORS ALLOWANCES	11 752 798,00	10 404 529,93	11 070 419,84
GENERAL EXPENSES	56 912 692,89	59 841 816,99	62 667 602,96
PROVISION FOR DEPRECIATION	37 760 000,00	39 610 240,00	41 471 921,28
DEBT IMPAIRMENT PROVISION	3 500 000,00	3 671 500,00	3 844 060,50
REPAIRS AND MAINTANANCE	16 586 829,12	17 399 299,31	18 217 066,38
	176 802 436,38	184 363 383,74	194 082 971,33



Analysis of Expenditure

Employee Related Costs

The employee related cost for the municipality is determined by the Bargaining council. The Salary and Wage Collective Agreement for this period has not been issued as yet. The guidelines per the national treasury circular is to use the projected average CPI percentages for 2023 of 5.4% which is according to the Reserve Bank's Monetary Committee Statement for January 2023.

Councilors Remuneration

Councilors remunerations are budgeted based on 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. Once it has been published adjustment to the budget will be implemented on the Adjustment budget.

General Expenses and Repairs and Maintenance

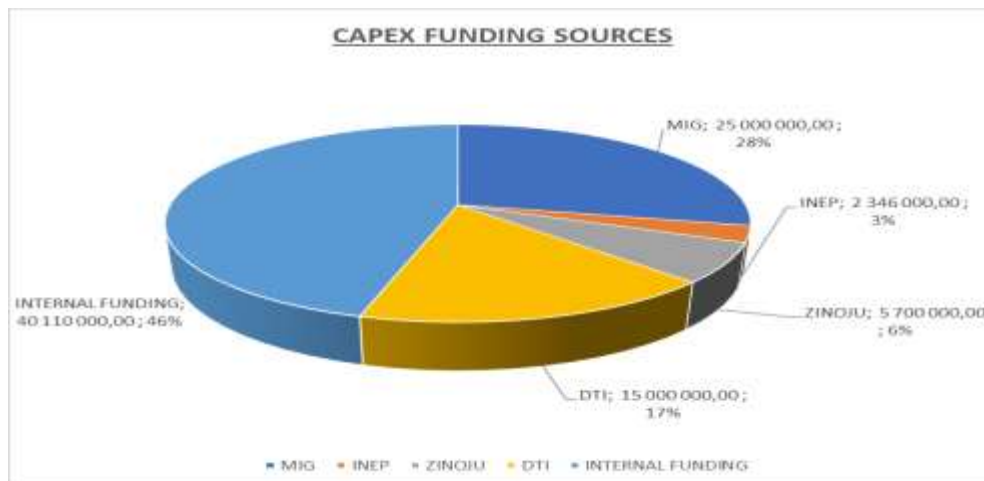
This group of expenditure comprises of general related expenditure which includes amongst others contracted services, audit fees, subsistence & travel, municipal services, annual insurance, financial system costs, plant hire, fuel and licenses for vehicles and others. When compared to the 2022/23 adjusted budget this group has been increased by 5.4% except for expenditure budgeted for first time, like from Planning and Development department.

CAPITAL EXPENDITURE BUDGET

CAPITAL BUDGET	FUNDING	Final Budget	Projected	Projected
		2023/24	Budget	Budget
		2023/24	2024/25	2025/26
FURNITURE & EQUIPMENT(TOOLS OF TRADE)	INTERNAL	1 000 000,00	1 058 000,00	1 116 190,00
METER CONVERSION(WARD 2)	INTERNAL	300 000,00	-	-
TELEPHONE LINE NEW OFFICES	INTERNAL	600 000,00	-	-
CONSTRUCTION LANDFILL CELL	INTERNAL	500 000,00	-	-
SPORT COMBO (WARD 7)COUNTERFUNDING	INTERNAL	1 300 000,00	-	-
COMMUNITY HALLS -MIG (Ward 9&10)	INTERNAL	4 000 000,00	-	-
MAST LIGHTS-(WARD 6,7,8,10,13)	INTERNAL	1 800 000,00	-	-
FENCING TOWN HALL -WARD 2	INTERNAL	-	2 500 000,00	-
ELECTRONIC FILLING SYSTEM	INTERNAL	250 000,00	-	-
NEW OFFICES	INTERNAL	5 000 000,00	-	-
ELECTRIFICATION INFILL (3,4,8,12)INEP	INEP	2 346 000,00	-	-
COMMUNITY HALLS -(WARD 9 & 10) COUNTERFUNDING	MIG	4 000 000,00	-	-
RURAL ROADS- (WARD 1,3,6,7 &13) MIG	MIG	21 000 000,00	-	-
SPORT COMBO (WARD 7)	ZINOJU	5 700 000,00	-	-
URBAN ROADS -(WARD 2)COUNTERFUNDING	INTERNAL	1 000 000,00	-	-
SKIP BINS	INTERNAL	300 000,00	-	-
SLASHERS	INTERNAL	150 000,00	-	-
BRUSH CUTTERS	INTERNAL	200 000,00	-	-
CLOCKING MACHINE FOR NEW OFFICES	INTERNAL	800 000,00	-	-
RIDE ON MOWER	INTERNAL	80 000,00	-	-
LOWBED	INTERNAL	-	2 500 000,00	-
TOOLS FOR RESPONSE TEAM	INTERNAL	100 000,00	-	-
ELECTRIFICATION INFILL (3,4,8,12)COUNTERFUNDING	INTERNAL	3 000 000,00	9 000 000,00	-
CHAINSAWS	INTERNAL	30 000,00	-	-
GIS PLOTA	INTERNAL	400 000,00	-	-
PARKHOMES	INTERNAL	-	2 500 000,00	-
DURNACOL SPORT CENTRE	INTERNAL	2 000 000,00	-	-
DTI PROJECTS	DTI	15 000 000,00	-	-
NEW CEMERTY INFRASTRUCTURE	INTERNAL	2 500 000,00	-	-
LANDFILL SITE FENCING	INTERNAL	1 500 000,00	-	-
RURAL ROADS- INTERNAL FUNDING(Ward 5, 11 &12)	INTERNAL	2 000 000,00	3 000 000,00	-
URBAN ROADS(WARD2)-COUNTER FUNDING	INTERNAL	1 800 000,00	-	-
NEW OFFICES - SYSTEMS & FURNITURE	INTERNAL	4 000 000,00	1 500 000,00	-
FIRE ENGINE	INTERNAL	2 000 000,00	-	-
TESTING GROUNG	INTERNAL	3 500 000,00	8 500 000,00	1 000 000,00
		88 156 000,00	30 558 000,00	2 116 190,00

FUNDING SOURCES FOR THE CAPITAL EXPENDITURE BUDGET

CAPEX FUNDING SOURCES	
MIG	25 000 000,00
INEP	2 346 000,00
ZINOJU	5 700 000,00
DTI	15 000 000,00
INTERNAL FUNDING	40 110 000,00
TOTAL	88 156 000,00



Capital expenditure analysis.

- Capital expenditure projects for the draft 2023/24 budget is funded through MIG, INEP, DTI, Internal Funding and mines.
- Most projects that were internally funded, budgeted in the 2022/23 financial year were rolled forward to this draft budget due to unavailability of funding during the financial year.

ATTACHMENTS

Annexure A – Detailed Income and Expenditure Budget Schedule

Annexure B – 2023/24 Tariff of Charges

Annexure C – Budget Related Policies

Annexure D –National Treasury Schedule A Tables

RECOMMENDATIONS

It is recommended that:

- The council approves the Draft 2023/24 Medium-term Revenue and Expenditure Framework, tabled in accordance with the Municipal Finance Management Act, 2003 (Act 56 of 2003) be considered for the community consultation process.
- That the council approves the proposed tariffs of charges for the Draft 2023/24 MTREF as outlined in Annexures B and be considered for the community consultation process.
- Council approves the multi-year operating and capital projects appropriations for the financial year 2023/24 and indicative for the two projected outer years 2024/25 and 2025/26
- That the council approved the review of the budget related policies for the 2023/24 financial year as per Annexure C
- That the Accounting Officer:

In accordance with chapter 4 of the Systems Act:

(a) Make public the Draft 2023/24 MTREF and other documents referred to in section 17(3) of the MFMA.

(b) Invite the local community to submit representations in connection with the Draft 2023/24 MTREF.

SP HLATSHWAYO
ACTING CHIEF FINANCIAL OFFICER

DATE:

S CELE
MUNICIPAL MANAGER

DATE:

For Consideration.

CLLR : XM NKOSI
SPEAKER

DATE: