

RATLOU LOCAL MUNICIPALITY

5. DRAFT BUDGET FOR 2021/22 AND BUDGET RELATED POLICIES

PURPOSE

To present the Draft budget for 2021/22 Financial year to the Council

BACKGROUND

In terms of the **Municipal Finance Management Act, 56 of 2003, s 16 (1-3)**, the mayor of the municipality must table the Draft and the Budget and at the council meeting at least 90 days before the start of the budget year for consultation and at least 30 days before the start of the budget year table the municipality's Final Annual Budget.

It is against this legal background that the Draft Budget for Ratlou Local Municipality is hereby presented to council. This will assist the municipality to effectively and diligently manage all its activities in the implementation of the budget and financial reforms.

This annual budget has been prepared in terms Circular 88, 89, 91, 94 including the newly release 107 and 108 of the MFMA taking into consideration:

- Version 6.5 which is Mscoa compliant for both historical years and MTREF.
- the wages increase, revised rates and tariffs, and other charges for 2021/2022 budgets and MTREF's.
- other input costs of services provided by the municipality to ensure financial sustainability, local socio-economic conditions and the affordability of services,
- the municipality's indigent policy and the current economic conditions.

The Draft Budget for Ratlou Local Municipality consist of the Total Budget of R 228 950 278 with Total Operating Budget of R 194 608 128 and Total Capital Budget of R 34 342 150.

The table below illustrates the Operating and the Capital Budget per department

DRAFT BUDGET FOR 2021/2022					
	Salaries Budget	General Expenses	Operating Budget	Capital Budget	Total Budget
OFFICE OF THE MAYOR	19 990 214	2 087 874	22 078 088	520 000	22 598 088
OFFICE OF THE SPEAKER	13 576 469	2 891 554	16 468 023	630 000	17 098 023
OFFICE OF THE ACCOUNTING OFFICER	7 878 044	6 208 027	14 086 070	150 000	14 236 070
BUDGET & TREASURY	12 931 785	44 752 681	57 684 466	80 000	57 764 466
TECHNICAL	11 983 773	9 416 414	21 400 187	30 832 150	52 232 337
TOWN PLANNING	2 715 213	3 274 732	5 989 945	30 000	6 019 945
LIBRARY / COMM & SOCIAL SERVICES	10 192 951	1 168 918	11 361 870	40 000	11 401 870
CORPORATE SERVICES	15 522 515	12 299 004	27 821 519	1 890 000	29 711 519
COMMUNITY SERVICES	16 408 690	1 309 269	17 717 959	170 000	17 887 959
TOTAL	111 199 654	83 408 474	194 608 128	34 342 150	228 950 278

The table below illustrates the sources of funding to the expenditure table above on various departments of the municipality

DEPARTMENT	AMOUNT	SOURCE OF FUNDING/REVENUE
Office of the Mayor	R 22 498 088 R 100 000	Equitable Share Telecentre Tuition fees
Office of the Speaker	R 17 098 023	Equitable Share
Office of the Accounting Officer	R 14 236 070	Equitable Share
Budget and Treasury Office	R 29 141 474 R 26 772 992 R 1 850 000	Equitable Share Property Rates FMG
Planning & development Economic/ Technical Service	R 17 778 205 R 1 985 132 R 1 572 000 R 30 897 000	Equitable Share Interest earned on investment Rental of facilities MIG
Planning & development/ Town planning	R 4 495 945 R 1 524 000	Equitable Share EPWP Grant
Library Services	R 10 209 870 R 1 192 000	Equitable Share Library Grant
Corporate Services	R 29 711 519	Equitable Share
Community Services	R 16 804 959 R 1 031 000 R 52 000	Equitable Share Agency services Traffic fines

Municipal Infrastructure Grant

The municipality will be funding the below listed projects through MIG

PROJECT	2021/2022	2022/2023	2023/2024
Construction of Kraaipan Internal Access Road Phase 03	3 500 000	-	-
Construction of Garelang Community Hall Phase 2	1 450 000	-	-
Construction of Link Road to Jan Masibi, Tribal Office and Methusele Phase 02	2 900 000	-	-
Construction of Link Road to N18 in Lokaleng Phase 02	2 900 000	-	-
Construction of Roads and Storm Water in Setlhwatihwe and Ramabesa Phase 02	8 450 000	-	-
Construction of Matloding and Logageng Sports Facility	10 152 150	-	-
Garelang – Ramabesa Internal roads & Storm water Upgrading to surface	-	8 997 250	3 778 800
Roofing to Madibogo Taxi Rank	-	1 000 000	-
Tshidilamolomo Mini Taxi Rank	-	3 500 000	-
Disaneng Mini Taxi Rank	-	3 500 000	-
Makgobistad Mini Taxi Rank	-	3 500 000	-
Mareetsane Mini Taxi Rank	-	3 500 000	-
Kraaipan Mini Taxi Rank	-	3 500 000	-
Construction of High Mast Lights in Setlagole & Madibogo RDP	-	4 000 000	6 000 000
Logageng - Matloding Internal roads & Storm water Upgrading to surface	-	-	7 000 000
Construction of Community Hall in Setlagole RDP/New Stands	-	-	6 000 000
Construction of Roads & Storm Water in the newly Established Townships	-	-	10 000 000
TOTAL	29 352 150	31 497 250	32 778 800

List of Budget policies to be approved together with the Draft Budget are as follows:

- Approval of budget policy
- Funding and Reserve Policy
- Credit Control and Debt Collection Policy
- Cash Management and Investment Policy
- Indigent Support Policy
- Asset Policy
- Virement Policy
- Provision for Bad Debt Policy

- Appointment of Consultancy Policy
- Tariff Policy
- Supply Chain Management Policy
- Overtime Policy
- Subsistence and Travelling Policy
- Cell phone Policy
- Rates Policy

RESOLVED

- a. That Council approved Draft Annual budget for 2021-2022 financial year and budget related policies for Ratlou Local Municipality
- b. That the copies of the approved Draft Annual Budget and the budget related policies be sent to Treasury and relevant stakeholder

RESOLUTION NO: 25/2021

31 MARCH 2021

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RATLOU LOCAL MUNICIPALITY

6. LEVYING RATES AND TARIFFS FOR 2021/2022 FINANCIAL YEAR

PURPOSE

To submit to Council levying rates and tariffs for 2021/2022 financial year.

BACKGROUND

Ratlou Local Municipality has revised levying rates for imposing property taxes in line with Section 17 (3) (a) of the Municipal Financial Management Act (Act 56 of 2003) and Section 14 (1) of the Municipal Property Rates Act (Act 6 of 2004).

Municipalities are advised in terms of Circular 108 of the MFMA that when doing their rates, tariffs and other charges for their 2021/2022 budgets and MTREF's, they need to take into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality or entity, they need to ensure financial sustainability, local socio-economic conditions and the affordability of services, taking into consideration the municipality's indigent policy and the current economic conditions.

The outlook remaining highly uncertain and the economic effects of the pandemic are far-reaching. Although growth rate are likely to improve quickly as restrictions are removed, based on current projections, the output is only expected to return to pre-pandemic levels in 2024. Given South African's structural constraints, its recovery will be slower than many of its developing-country peers. Industrial sectors (which include mining, manufacturing, constructions and utilities) lagged substantially, undermined by structural constraints including unreliable electricity supply and weak public investment that preceded the pandemic. Over the next several years, the country requires the implementation of long-standing structural reforms to sustainably move to a higher growth path.

The projection of the inflation rate as per Circular 108 of the MFMA proposes for the increase in rates, tariffs and other charges not to be in excess of the 3.9% and the Consumer Price Index projections are as follows 2021/22 3.9%, 2022/23 4.2% and 2023/24 4.4%.

INCREASE ON TARIFFS AND OTHER CHARGES

A submission of 3.9% increase on tariffs and other charges effective from 01 July 2021 is proposed, except for the following:

- ✓ Tender documents as per council resolution no 65/2017 dated 31 October 2017
- ✓ Registration and tuition fees for telecentre students not to be increased due to the fact that these students are from previous disadvantaged communities and

- cannot afford these fees; this can also be regarded as community upliftment by the municipality.
- ✓ Interest charged on overdue accounts on rentals remains at 5% and prime + 1%/12 on property rates.

INCREASE ON PROPERTY RATES

The levying rates for Residential, Agricultural, Business and Public Service Infrastructure is also proposed to be increased by 3.9% as from 1 July 2021 as outlined and categorized below.

Department of COGTA raised the following findings:

- That all state (government) owned properties that do not fall within the category “ Properties owned by organ of state and used for Public service purpose must be categorized and rated according to their use e.g residential, commercial and business etc meaning that all state (government) owned properties must be subjected to the same rate tariff as is the case for all properties owners for the same use category. Therefore, the municipality must create a new property category called “Properties owned by an organ of state and used for **Public Service Purpose**” for the purpose of rating such properties (as defined in section 1 of the Act. It intends to rate them and rate them in a reasonable manner a opposed to making them a “ a cash cow” of the municipality.
- That the municipality is levying government properties higher than businesses whereas government is providing services to the public while businesses are profit driven. Therefore it is proposed that rates tariffs for government should not be increased to address the finding.

The levying rates as per different categories are:

• Residential	: R 0.0111	R 0.0116
• Agricultural	: R 0.0028	R 0.0029
• Public Service Purposes	: R 0.0433	R 0.0433
• Business	: R 0.0222	R 0.0231
• Public Service Infrastructure (E.g. Eskom & SANRAL)	: R 0.0028	R 0.0029

RESOLVED

- a) That the levying rates for Residential, Agriculture, business, PSI and other charges be increased by 3.9% except for tender documents, telecentres and interest charged on overdue accounts effective from 01 July 2021
- b) That applicable levying rates be:
 - ✓ Residential = R0.0116,
 - ✓ Agricultural = R0.0029,

- ✓ Public Service Purposes remains R0.0433,
 - ✓ Business = R0.0231,
 - ✓ Public Service Infrastructure (E.g. Eskom & SANRAL) = R0.0028
- c) That the Rates Policy be amended to reflect (b) here above

RESOLUTION NO: 26/2021

31 MARCH 2021

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