

ITEM:

REPORT BY THE EXECUTIVE MAYOR

DRAFT BUDGET 2021/2022

PURPOSE OF THE REPORT

The purpose of the report is to submit the multi-year draft 2021/2022 draft budget of the Waterberg District Municipality to Council for approval.

STATUTORY/LEGAL REQUIREMENT

Section 24(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.”

Section 24(2)(c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality’s integrated development plan”

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.”

Paragraph 14 of the MBRR indicates that:

“An annual budget and supporting documentation tabled in a municipal council must be in the format in which it will eventually be approved by Council and be credible and realistic such that it is capable of being approved and implemented as tabled.”

Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“(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”

Section 87(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The board of directors of a municipal entity must for each financial year submit a proposed budget to its parent municipality not later than 150 days before the start of the entity’s financial year.”

Section 87(3) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.”

MFMA Budget Circular 99 has been attached.

National Treasury Circular 66 dated 11 December 2012 requires that the Auditor General must from 2012/2013 express an opinion in relation to non-cash items as it relates to unauthorised expenditure resulting from overspending.

STATUTORY/LEGAL REQUIREMENT *(continues)*

Section 160(2) of the Constitution provides that a council may not delegate the approval of budgets or the imposition of rates, taxes, levies and duties. In other words, *only the council may make decisions related to the raising of municipal revenues and approving (or authorising) the spending of those revenues through the budget or an adjustments budget.*

MFMA section 22. Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must

(b) submit the annual budget—

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

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

According to the original Budget Process Plan the annual 2021/22 budget has to be tabled to Council 90 days before the start of the new budget year, and it is thus tabled to Council on 30 March 2021.

After the approval by Council of the tabled 2021/22 budget, the budget will be made public and submitted to National and Provincial Treasury. The municipality must embark on public participation for the Budget & IDP between March and April 2021 in terms of the 2021/22 IDP/Budget Process Plan approved by Council in August 2020.

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.

The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The 2021/22 municipal tariffs for the Abattoir and Fire Fighting has been reviewed and is attached to this budget item. Changes are proposed for Fire Fighting tariffs and Abattoir tariffs from the approved 2020/21 tariffs.

All current investments have been committed in terms of the 2020/21 IDP & Budget and the 2021/22 IDP and Budget to such an extent that we are experiencing an operating shortfall in the medium term due to lack of accumulated surplus to fund the current operating losses, therefore the significantly reduced IDP budget.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore municipalities are required to ***justify all increases in excess of the projected inflation target for 2021/22*** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government. Municipalities are advised to take into account their financial sustainability when considering salary increases in the absence of any information from SALGBC in the preparation of the 2021/22 MTREF budgets and as such the projected salary increase included in the draft budget is as follows:

- 2021/22 Financial Year – average CPI 4.0%
- 2022/23 Financial Year - average CPI 4.2%
- 2023/24 Financial Year - average CPI 4.4%

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS (continue)

In terms of remuneration of councillors, Municipalities are further 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. ***Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned.***

The shortfall in the 2020/21 operating budget of **R 30 094 152** is unfunded as such spending should be kept at a minimum level in order to reduce this projected deficit. The current IDP operating projects, unfunded health and fire-fighting services, as well as the Abattoir operations has a huge impact on this deficit, since some projects or services which are not funded by grants have been included in this tabled budget. The full amount of the shortfall relates to an actual operating shortfall in the 2021/22 year whereby the revenue received during the 2021/22 year will not be enough to fund the budgeted 2021/22 operating expenditure. This is a major cause for concern as indication is that the Municipality will continuously be short on the budget in future as revenue is fixed per grants and majority of operating expenditure is salary related which often increases by more than the CPI or relevant equitable share percentage increase.

The accumulated deficit from the previous financial years as well as the projected deficit for the current financial year is, as per the current state of affairs worsening the financial position of the Municipality. This now has a detrimental effect on the municipality's ability to fund the budget shortfall beyond 2021/22 and IDP projects required to meet service delivery mandate. WDM is grant dependant which makes it difficult to generate own revenue. Management is in the process of developing Revenue enhancement strategy to address the growing deficit which will entail combination of bringing additional revenue streams and also increase revenue derived currently within the abattoir services. The strategy will also explore various ways of reducing and containing operational costs. It is critical that management develop strategies to minimize costs and archive desired results in the current economic climate.

Attached as Budget Table SA10 and Annexure 9 is the funding measurement test which indicates that currently only 2021/22 budget year is funded. The 2022/2023 and 2023/2024 budget shortfall as well as the IDP operating and Capital project detailed in Annexure 4 is currently unfunded. The revenue enhancement strategy will be tabled to Council with the final budget and will detail strategies that will employed by management to ensure financial sustainability.

STAFF IMPLICATIONS

There are no new positions included in the 2021/22 draft budget.

FINANCIAL IMPLICATIONS

See attached Schedules.

The Budget/IDP Road Shows will be held in March to May 2020 by the Offices of the Municipal Manager and Executive Mayor. The costs will be defrayed from the IDP votes Corporate - IDP CO 011 and MM - Strategic planning CO 012.

OTHER PARTIES CONSULTED

WDM Municipal Manager
WDM Section 57 managers
WDM Divisional managers
WDM IDP Forums

Bela Bela Local Municipality
LIM 368 Local Municipality
Thabazimbi Local Municipality
Lephalale Local Municipality

ANNEXURES

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Table SA32	-	List of external mechanisms (there is none)
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Table SA34a	-	Capital expenditure on new assets by asset class
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Annexure 9	-	Available Cash to Fund IDP Capital Projects for 2021/22 MTREF
Annexure 10	-	Graphs (to be submitted in final budget)
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Annexure 12	-	Asset Management Policy (to be submitted in final budget)
Annexure 13	-	Catering Policy (to be submitted in final budget)
Annexure 14	-	Debt Collection and Credit Control Policy (to be submitted in final budget)
Annexure 15	-	Investment Policy (to be submitted in final budget)
Annexure 16	-	Petty Cash Policy (to be submitted in final budget)
Annexure 17	-	Supply Chain Management Policy (to be submitted in final budget)
Annexure 18	-	Virement Policy (to be submitted in final budget)
Annexure 19	-	Procurement Plan for 2021/22 IDP projects (to be submitted in final budget)

AUTHORITY

Municipal Finance Management Act, No 56 of 2003

Municipal Systems Act, No 32 of 2000

Municipal Budget and Reporting Regulations, Notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009

Division of Revenue Bill 2021/22

MFMA Budget Circulars, most recently is 108 for the 2021/22 Budget Year

RECOMMENDATIONS

That:

1. The report by the Executive Mayor regarding the 2021/22 Draft Budget of the Waterberg District Municipality contained in the agenda be approved.
2. Council approve the Draft Operating Budget for the financial year 2021/22 and indicative for the two projected outer years 2021/22 and 2022/23.
3. Council approve the multi-year operating and capital projects appropriations for the financial year 2021/22 and indicative for the two projected outer years 2021/22 and 2022/23.

4. Council approve the Tariffs reflected in Annexure 1 for Abattoir for the Budget year 2021/22.
5. Council approve the Tariffs reflected in Annexure 2 for Fire Fighting for the Budget year 2021/22.
6. Council approve the Tariffs reflected in Annexure 24 for Municipal Health Services for budget year 2021/22.
7. The Executive Mayor be mandated to engage DDM Political Champion, COGTA and National Treasury in a view to address the unfunded mandate (Fire-fighting and environmental health).
8. Note that a salary increase for councillors of 4 % has been budgeted in the 2021/22 budget year.
9. Note that a salary increase for officials and managers of 4 % has been budgeted in the 2021/22 budget year.
10. The tabled 2021/22 Budget and IDP be submitted to National and Provincial Treasury within 10 working days from approval.

2021/22 BUDGET – EXECUTIVE SUMMARY

The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPI and guidance of the MFMA Budget Circular 108, being 4% in 2021/22, 4.2% in 2022/23 and 4.4% in 2023/24.

REVENUE

Council's main source of income is Government Grants.

GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)

In terms of the 2021/22 Division of Revenue Bill, the following allocations are made to Waterberg District Municipality Council:

Draft Budget Summary - 2021/22

Description	Draft budget 2022	Draft budget 2023	Draft budget 2024
Equitable Share	42 326 000	44 781 000	45 236 000
RSC Levies Replacement	91 165 000	93 367 000	95 414 000
Councillor Remuneration and Ward Committees	6 726 000	6 968 000	7 282 000
Financial Management Grant	1 000 000	1 000 000	1 000 000
Rural Roads Asset Management Systems Grant	2 179 000	2 284 000	2 290 000
Expanded Public Works Programme Integrated Grant	-	-	-
Municipal Systems Improvement Grant	-	-	-
Disaster Relief Fund	-	-	-
Total Grants - Per DORA 2021/22	143 396 000	148 400 000	151 222 000
Investment Income	5 569 506	5 585 587	5 596 308
Service Charges - Abattoir Income	1 594 732	1 599 337	1 602 406
Other Income	208 490	209 092	209 493
Total Operating Revenue	150 768 728	155 794 016	158 630 208

INTEREST RECEIVED

Interest received is income from external investments and interest on the current account. Based on the current reserves and prevailing investment rates, a provision of R 5 569 506 is made in this regard.

ABATTOIR

Council operates an Abattoir, which is a trading service. The trading service is supposed to break even, but is currently operating at a loss. The Abattoir has a budgeted operating loss of R 7 925 205 for 2021/22 (R 7 710 353 for 2020/21). A 4% tariff increase is proposed at the abattoir. The tariffs are attached per **Annexure 1**.

An amount of R 1 594 732 is provided for income from the abattoir disclosed as service charges on the A1 schedule.

OTHER INCOME

Other income is the provision made for the air quality licencing fee that will be levied by the Environmental Health Department in line with National Environmental Management Air Quality Act 39 of 2004. The atmospheric emission licence processing fee is regulated and gazetted by the Minister of Environmental Affairs.

OTHER INCOME *(continues)*

An amount of R 171 600 is provided for income from the air emission licence review disclosed as other income on the A1 schedule.

The proposed increase on Fire Fighting tariffs (See attached **Annexure 2**) for 2021/22 is 4% increase. The draft tariffs include the transport permits for dangerous goods transportation as well site inspections fee for building plans (fire protection plan). Mogalakwena local municipality which is providing the service on behalf of WDM must be encouraged to implement these particular Tariffs for the purposes of cost recovery.

The proposed increase for Municipal Health tariffs (see attached Annexure 3) for 2021/22 is 4%. The draft tariffs include the certificates of acceptability for caterers, food premises, fitness, funeral undertakers, and health report and site inspections for circumcision schools.

No fire-fighting income has been budgeted for due to the trend of the past years where very little to no fire-fighting income was transferred to WDM, thus leading to the conclusion that any income budget for this purpose will be unrealistic.

The total budgeted revenue amounts to R 150 768 728 (2020/21 - R 153 373 984). This is a decrease of 2% as compared to the 2020/21 original budget, primarily due to a reduction in equitable share grant allocation for the 2021/22 financial period.

Attached per **Tables A2, A3 and A4** are details on the revenue by GFS, vote and source.

EXPENDITURE

EMPLOYEE RELATED COSTS

Personnel expenditure increases in 2021/22 to R 120 214 538 for officials (2020/21 adjusted – R 115 632 701), including contributions to long service awards and post-retirement medical aid actuarial valuations.

Provision is made for a general increase of 4 % for all employees. The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government . Municipalities are advised to take into account their financial sustainability when considering salary increases in the absence of any information from SALGBC in the preparation of the 2021/22 MTREF budgets and as such the projected salary increase included in the draft budget is as follows:

2021/22 Financial Year – average CPI 4.0%

2022/23 Financial Year - average CPI 4.2%

2023/24 Financial Year - average CPI 4.4%

The Environmental Health Services salaries amount to R 18 243 635 (2020/21- R 17 558 840) which makes up 15% of the total salaries.

The Fire Fighting Services salaries amounts to R 23 546 046 (2020/21 - R 22 662 219) which contributes 20% of the total salaries. This excludes the salaries budgeted in Mogalakwena local municipality for fire-fighting staff appointed by the local municipality. The District Municipality is currently in the process of relocating staff allocated to Mogalakwena local municipality to the head office.

The Abattoir salaries amount to R 6 031 465 (2020/21 - R 5 805 067) which makes up 5% of the total salaries budget.

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers in terms of the WDM approved Travel Allowance Policy. There are 74 travel allowances budgeted for in comparison to a total Staff complement of 159 permanent employees (41%). No new travel allowances have been added for the 2021/22 financial year.

Performance bonuses for S57 managers are not budgeted for all managers due to the financial challenges being experienced by the municipality.

Budget is still provided for Provision for Leave and Provision for Officials' Bonuses due to the GRAP disclosure requirements for annual leave and officials' bonuses.

The total employee related costs amounts to R 120 214 538 (2020/21 R 115 632 701), which is a 4% increase on 2021/22 personnel budget.

The total amount contributes 60% (2020/21 – 63%; 19/20 – 62%; 18/19 – 58%; 17/18 – 55%; 16/17 – 59%; 15/16 – 61%; 14/15 - 52%; 13/14 – 48%) of the total operating expenditure (including operating expenditure projects on the IDP).

REMUNERATION OF COUNCILLORS

Councillors' salaries and allowances are based on 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. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned. The budget is now compiled on a Grade 4. Provision is made for six full time councillors.

The total salaries and allowances for councillors amounts to R 9 600 198 (2020/21 – R 9 239 844) and makes up 5% (20/21 – 5%; 19/20 – 5%; 18/19 – 5%; 17/18 – 5%; 16/17 – 5%; 15/16 – 5%; 14/15 – 5%) of the total operating expenditure, however this expenditure is subsidised by an equitable share allocation specifically for this purpose of R 6 726 000, resulting in under-funding of R 2 874 198 for the 2021/22 financial period .

GENERAL EXPENSES

General expenditure has been increased by an inflation rate of 4% with the exception of operating project expenditure. However, to support austerity measures as well as considering financial constraints faced by the municipality, no budget increases has been granted for catering and some expenditure votes have not been increased while other have been reduced.

The major general expenses are audit fees, subsistence & travel, depreciation, municipal services, annual insurance, financial system costs and security for WDM premises, Abattoir, Modimolle, Mogalakwena and Lephalale disaster centres. General expenditure also includes allocations to all the Waterberg Local Municipalities' Disaster Centres for the operation thereof.

REPAIRS AND MAINTENANCE

An amount of R 2 379 386.00 (2020/21 – R 2 221 343.00) is budgeted and constitutes 1% of the total operating budget. The provision is low due to the fact that we do not have infrastructure assets. This provision is mainly for buildings, vehicles and equipment.

CONTRACTED SERVICES

Contracted services refer to the fire-fighting service which is rendered on behalf of Council by the Mogalakwena Municipality. Claims are submitted by the local municipalities on a regular basis. Provision of R 4 440 503 (2020/21 – R 4 273 820) is made for the Mogalakwena local municipality in total and this represents 2% of the operating budget.

The reason for the lower year-on-year increase is due to a detailed inspection of local municipal payslips resulting in a more accurate projection of salaries per local municipality.

The budget for the whole Disaster Department (including contracted services for fire-fighting) is R 53 654 810 (2020/21 - R 45 374 720). The total fire-fighting/disaster function thus constitutes 27% of the total operating budget. This is excluding the IDP capital expenditure portion, if any.

MUNICIPAL HEALTH

Budget of R 21 116 478 (2020/21 - R 21 881 340) is made for Municipal Health, which is a year-on-year increase of 4%. This includes personnel costs for 30 officials, which consist of 1 divisional manager, 6 environmental health heads and 23 environmental health practitioners; however it excludes IDP capital projects if any.

National and Provincial Government has stopped the funding of health services, nonetheless it was indicated that they will partly fund the service by providing an equitable share. As per the 2020/21 DORA, the equitable share does not include a portion specifically allocated to this service. Previously and for three years during 2013 to 2015, this service was funded with an average amount of R11 million per annum.

The total operating expenditure amounts to:

Including the IDP projects expenditure portion: R 190 366 896 (2020/21 - R 183 465 136)

Excluding the IDP projects expenditure portion : R 185 737 896 (2020/21 - R 174 961 544)

EXPENDITURE

Attached per **Tables A2, A3 and A4** are details on the operating expenditure by GFS, vote and source.

A department constitutes a vote as per the MFMA definition. The following provisions were made per department:

EXPENDITURE PER VOTE

	Operating	Capital	Total
Budget & Treasury	R 22 711 013	R -	R 22 711 013 (4)
Municipal Manager	R 11 205 626	R -	R 11 205 626 (6)
Corporate Services	R 25 373 512	R -	R 28 863 512 (3)
Planning & Econ Development	R 8 856 826	R -	R 8 856 826 (8)
Infrastructure Development	R 9 935 122	R -	R 10 385 122 (7)
Office of Executive Mayor	R 32 990 950	R -	R 32 990 950 (2)
Disaster (Fire Fighting)	R 51 054 810	R -	R 51 054 810 (1)
Municipal Environmental Health	R 21 116 478	R -	R 21 116 478 (5)
Abattoir	<u>R 9 520 561</u>	<u>R -</u>	<u>R 9 520 561</u> (9)
Total	<u>R 190 366 896</u>	<u>R -</u>	<u>R 190 366 896</u>

In 2021/22 the top 3 expenditure budget departments were Fire Fighting (#1), Executive Support (#2) and Corporate Services (#3).

IDP

Projects are being identified in terms of Council's priorities and will be subjected to community participation processes.

The total budget requirements for projects are as follows:

2021/22	R 28 389 000
2021/22	R 11 054 000
2022/23	R 14 312 851

The IDP MTEF requirement totals **R 28 389 000** of which the funding available can be summarized as follows:

WDM Reserves	R 1 450 000
RRAMS Grant	R 2 179 000
FMG	R 1 000 000

The projects requirements outline in Annexure 4 on the IDP are divided into operating and capital projects for the 2021/22 budget year, and are as follows:

IDP Capital	R 17 960 000
IDP Operating	R 10 429 000

The R1 558 500.00 currently included in operating budget for District Public Participation EM are the amount available for project prioritisation. Attached per **Schedule A5** are the details of the IDP by **GFS, vote and source**. Attached per **Annexure 4** is a detailed breakdown of projects included in the IDP. The Budget is compiled on the projects and budget amounts recommended by the IDP Steering Committee.

2021/22 BUDGET – SUPPORTING DOCUMENTATION

OVERVIEW OF THE BUDGET PROCESS

The 2021/22 IDP/Budget Process Plan was adopted by Council in August 2020

The 2020/2021 mid-year performance assessment was conducted in February 2021 which determined the 2020/21 Adjustment Budget and formed the baseline of drafting the 2021/22 Operating Expenditure budget (considering the mSCOA fundamentals, both zero-based and incremental budgeting was used to arrive at the budgeted operating expenditure).

Income amounts are based on the 2021/22 DORA issued in March 2021.

The projects prioritisation phase will be finalised in April 2021 and the complete wish list of projects together with the proposed budgeted projects will be submitted to Council in the May 2021 final budget and will be subjected to the public participation process during March to May 2021.

Feedback from the WDM website, newspaper adverts and public road shows will be considered during April and May 2021, and where possible, adjustments to the Tabled Budget will be made, where necessary.

OVERVIEW OF THE BUDGET PROCESS *(continues)*

The draft 2021/22 budget & IDP is therefore tabled for approval on 30 March 2021, within the deadlines as stipulated by legislation.

For further information on the IDP process, including IDP/Budget steering committee and IDP rep forum, please refer to the 2020/21 IDP item tabled separately to this report.

There were no deviations from the key dates set out in the 2020/21 IDP/Budget Time Schedule tabled in Council.

OVERVIEW OF THE ALIGNMENT OF BUDGET WITH IDP

The budget and IDP preparation process ran consecutively and joint IDP/Budget Steering Committee meetings and Representative Forum hearings was held during the year.

The main priorities of the IDP projects are listed below and were considered during the project prioritisation phase for inclusions of projects into the budget:

1. Fire Fighting Services
2. Municipal Environmental Health & Environmental Management
3. Disaster Management
4. Abattoir
5. Local Economic Development & Tourism
6. Roads & Storm Water
7. Municipal Support & Institutional Development
8. Community Participation & Good Governance
9. Land
10. Sports, Arts & Culture
11. Water & Sanitation
12. Electricity
13. Transport

Due to budget constraints all priority areas could not be accommodated in the 2021/22 budget.

MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

The measurable performance objectives and indicators as per IDP priority areas are as follows:

Municipal Environmental Health:

-To provide municipal health and environmental services to the communities

Disaster Management:

-To coordinate and support disaster management and firefighting services.

Local Economic Development & Tourism & Land & Transport:

-To unlock and stimulate the mining, tourism and agriculture potential.

-Development and implementation of the Spatial Development Framework.

MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS *(continues)*

Municipal Roads & Storm water & Basic Service Delivery:

-To strengthen district capacity to provide services

Municipal Support & Institutional Development:

-To develop and build skilled and productive workforce

Abattoir:

-To strengthen district capacity to provide services

Community Participation & Good Government & Sports, Arts & Culture:

-To promote effective communication and be responsive to the needs of the community.

Social Development & Community Services:

-To provide environmental services to the community

The detailed objectives and indicators per KPA and IDP priority areas can be found in the SDBIP attached as item 9 on the index.

FINANCIAL MODELLING & KEY PLANNING DRIVERS

The following key factors and planning strategies have informed the compilation of the 2021/22MTREF:

- Policy priorities and strategic objectives
- National Government macro-economic targets;
- The general inflationary outlook in terms of MFMA Circular 108;
- The impact of municipal cost drivers;
- The grants allocated in DORA;
- 2020/21 Adjustment budget priorities and targets as well as the baseline allocations contained in the approved adjustment budget;
- Inflation has been assumed at 4.0% in 2021/22, 4.2% in 2022/23 and 4.4% in 2023/24.
- Salary increases has been assumed at 4% in 2021/22, 4.2% in 2022/23 and 4.4% in 2023/24.
- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous year's surpluses not committed for other purposes, and
- Tariff increases should be affordable

OVERVIEW OF BUDGET RELATED POLICIES

The following budget policies are being reviewed and the revised versions, if applicable, will be approved with the final budget:

- Asset Management Policy
- Catering Policy
- Debt Collection and Credit Control Policy
- Investment Policy
- Petty Cash Policy
- Supply Chain Management Policy
- Virement Policy
- S&T Policy
- Inventory Policy
- Expenditure Management Policy

OVERVIEW OF BUDGET RELATED POLICIES *(continues)*

- Funding and Reserve Policy
- Cost containment policy

OVERVIEW OF BUDGET ASSUMPTIONS

The equitable share formula was reviewed in the prior years to also include an allocation to for councillors' salaries and this has assisted in alleviating some of the cash flow constraints of WDM. The additional allocation received for Councillor Remuneration amount to R 6 726 000 in 2021/22. Our cash flows are though still increasing by less than our fixed operating expenditure, mostly due to personnel related expenditure increasing by more than inflation and this constitutes 67% of our operating budget (excluding operating IDP project expenditure) if all salary related benefits are included for officials and councillors. This has necessitated restrained expenditure, especially on the IDP, to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

There are five key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook in terms of MFMA Circular 108;
- The impact of municipal cost drivers;
- The grants allocated in DORA; and
- The increase in the cost of remuneration.

Inflation has been assumed at 4% in 2021/22, 4.2% in 2022/23 and 4.4% in 2023/24.

Salary increases has been assumed at CPI in the absence of any information from SALGBC in the preparation of the 2021/22 MTREF budgets.

For simplicity, the 2021/22 MTREF is based on the assumption that all investments are undertaken using fixed interest rates.

The rate of abattoir revenue collection is currently expressed as a 100% of annual billings. Cash flow is assumed to be 100% of billings, due to the majority of clients being cash clients, plus no provision for doubtful debt as old disputes have been written off and there are currently no new disputes or long outstanding debts.

It is estimated that a spending rate of 100% is achieved on operating expenditure and 100% on the capital programme for the 2020/21 MTREF of which performance has been factored into the cash flow budget.

It is assumed that all conditional grants will be fully spent by 30 June 2021 and all future years of the current MTREF and no roll overs have been budgeted for.

Interest on investments has been assumed at an average annual rate of 4.5 % on the basis that the total amount to be invested will reduce as the year progresses. Interest on current account has been assumed at 4.5%, which is the current prime interest rate of 7% minus 2.5% as agreed with our banking service provider.

LEGISLATIVE COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic formats was complied with on a monthly basis within average of 10 working days. This also includes reporting to Provincial Treasury and transferring departments for conditional Grants. Section 71 reporting to the Executive Mayor (within average of 10 working days) was also complied with and includes supporting documentation pertaining to material month end procedures.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the BTO and Internal Audit. Although there have not been 5 at all times during the year, we endeavoured to have vacancies filled in internships as soon as possible. The majority of interns have been permanently absorbed in either Waterberg District Municipality or our local municipalities.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document will be finalised for council approval in May 2020 and will be aligned and informed by the 2021/22 MTREF Budget and IDP.

6. Annual Report

The Annual report is compiled in terms of the MFMA and National Treasury requirements and approved within the required timeframes.

7. MFMA Competency

Skills assessments have been conducted in terms of the Minimum Competency Gazette and special merit cases have been registered with and approved by National Treasury for which the officials are currently in the progress of obtaining those unit standards outstanding.

8. Policies

All MFMA Circulars and Regulations have been considered in the review of policies to be approved with the final budget.