

# **BAVIAANS MUNICIPALITY**

## **REPORT ON THE DRAFT BUDGET OF BAVIAANS MUNICIPALITY FOR THE FINANCIAL YEAR 1 JULY 2007 TO 30 JUNE 2008**

### **INTRODUCTION**

According to Municipal Finance Management Act, Section 16(2), (Act No. 56 of 2003) the Mayor must table a Draft Budget 90 days before the start of the budget year.

Furthermore the Act requires (Section 17) that the annual budget of the municipality must be a schedule in the prescribed format as follows:

1. Setting out realistically anticipated revenue for the budget year from each revenue source
2. Appropriating expenditure for the budget year under the different votes of the municipality
3. Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
4. Setting out:
  - 4.1 Estimated revenue and expenditure by vote for the current year: and
  - 4.2 Actual revenue and expenditure by vote for the financial year preceding the current year; and,
5. A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.

### **DRAFT BUDGET 2007/2008**

The total expenditure for the 2007/2008 book year is estimated at R 15 773 646. That is an increase of 2, 16% of the previous year. The total revenue for the financial year is estimated at R 15 783 233 which result in a surplus of R 9 587 for the year.

#### **Salaries, Wages and Allowances**

An increase on Salaries of 6.43% is budgeted for. Furthermore provision is made for employees who are doing extra work than their normal duties for 6% per month on their salaries. These extra functions are Natis, Firemen, and Pound Masters.

Provision was also made for existing employees to become foremen and employees working at Wanhoop to become shift workers. The shift workers had a big impact on the personnel cost. According to the East Cape Local Government Bargaining Council

Collective Agreements these employees should be paid 6% of their annual salary monthly and if they work at night a night allowance of R 4.50 per hour should be paid.

Also included in the personnel costs are employees whose salaries are subsidised by MIG Funds, Municipal Finance Grant and Umsobomvu Youth Fund. Their total salaries are R 531 281 per annum.

The total cost of the personnel budget is 40,69% of the total expenditure and it is 37, 32% without the subsidised salaries.

### General Expenditure

General expenditure is the highest expenditure against the total expenditure of 46, 88%. The main movements in the line items of the general expenditure are the following:

1. Free Basic Services: This was increased with R 469 654 to accommodate indigent house holds who are getting two subsidies from government. The indigent policy should be amended to accommodate these people who are earning less than R 1 500 per month.
2. Tourism: Tourism's budget increased with R 120 040 to provide that the Baviaans Municipality local tourism initiative can become part of the district tourism.
3. Legal Cost: Legal cost increased with R 85 000 due to the fact that there is a legal case pending against the municipality which is dating back before the amalgamation of the two towns.
4. Profession Fees: An amount of R 1 115 000 was received from Provincial Government for project consolidate. During the 2007/2008 financial year the municipality will not receive such money again.
5. Out of pocket expenses: Nothing was budget for out of pocket expenses which allowed a decrease of R 96 000 in the general expenditure
6. Training: The training budget went up to R 60 000 for external training of employees.
7. Special Projects:
  1. Establishment of Thusong Centre R 30 000
  2. Indoor sport centre R 30 000
  3. Women focus projects R 50 000
  4. Security consciousness R 10 000

### Repair and Maintenance

Repair and maintenance budget increase with 6. 05% from R 929 288 to R 985 473. Reasons for the increase are as follow:

1. Electricity Network increased with R 40 000 for the replacing of Plessey pre paid meters with Conlog Meters.
2. A new budget is established for sanitation network of R 40 000
3. A new budget is established for road signs and paint of R 40 000

The repair and maintenance budget is 6, 25% of the total budget.

### Capital Cost

Capital cost decrease with 39, 10% against the previous year. The reason for this is that the last installment of the DBSA loan will be paid in December 2007.

Also included in the capital cost are installments for new vehicles to be purchase during the 2007/2008 financial year. The amount is R 150 000.

### Income

The income budget increased with R 331 426. The reasons for this is mostly the increase in the equitable share of R 712 917. MSP contributed R 1 115 000 last year to the budget which we are not going to receive this year. The MFMA grant stayed the same at R 500 000.

In this income budget there is no increase in tariffs for services. The only increase is 10% on property rates which is attached as Annexure A. At this stage a study is being done of all empty stands within the Baviaans Municipality that are privately owned. The reason is to increase the property rates of the stands to influence the owners either to build on the stands or to sell it. An amount of R 96 692 will be generated out of the 10% increase.

Electricity could not be increased due to the fact that a letter was received from the NER not approving the tariffs for electricity. After gathering all the statistic of electricity for the past year it seems that the income can increase with R 233 691. A schedule of the statistics is attached as Annexure B.

Water, Sanitation and Refuse removal income stayed the same due to no increases in the tariffs.

### Capital Budget

The Capital Budget is mostly funded from National and Provincial Government. The Capital Budget explains the different projects and the funding thereof.

## **RECOMMENDED**

1. That the Draft Budget for the financial year 2007/2008 as tabled be adopted.
2. That the Capital Budget of R 49 839 950 for the 2007/2008 financial year be adopted.
3. That the proposed increase in the tariffs be approved.

4. That the indigent policy be amended to accommodate all indigents earning less than R 1 500 be approved and exemption be given to households who have two pensioners.
5. That the budget be advertised according to the Municipal Finance Management Act (Act No 56 of 2003).