



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

**EXTRACT OUT OF MINUTES OF SPECIAL COUNCIL MEETING HELD ON THE
31ST MAY 2020.**

C912. REPORT ON POSSIBLE SUSPENSION OF RULES OF ORDER.

Purpose

To request Council to dispense with rules that relate to its notice period and its sitting during working days sitting and public access and resolve on their suspension to dispense on the critical items for its consideration.

Authority

Chris Hani District Municipality

Legal Requirements

Constitution of the Republic of South Africa

Local Government: Municipal Structures Act

Local Government: Municipal Systems Act

Disaster Management Act

Rules of Order of Council

Brief background

Rule 2 of the rules and orders (commonly referred to as "Rules of Order" provides that the rules are applicable to Council in order to allow free, open and constructive debate during meetings. In line with the founding values of the Constitution, freedom of expression is encouraged in meetings, albeit in such a manner that orderly debate is ensured within the time constraints of time allocated to meetings. Rules endeavour to create the opportunity for members of Council to air their views on any matter of public importance.

Exposition of Facts

In terms of the adopted Council Calendar, the Council had a scheduled meeting for the 27 May 2020 which was subsequently changed and communicated to be on the 17 June 2020.

The above was influenced by the following factors:

- 1.1 Public Participation approach agreed to and implemented after the initial 21 days lockdown with the last one concluded on the 14th May 2020;
- 1.2 The focus on Covid-19 in the district and the lockdown restrictions at the time;
- 1.3. The 1st confirmed Covid-19 positive case at BTO and the subsequent decision to close the building and the decontamination process which later ensued in the building;
- 1.4 A lengthy Engagement Process with Provincial Treasury on the status of the budget to ensure that is certified as funded, with the final session on the 26th May 2020;

A letter was then submitted to Provincial Treasury advising them of the Council meeting scheduled for the 17th June 2020 referenced on MFMA exemption regulation and MFMA Circular 99. The Provincial Treasury responded on the 29th May 2020 advising the municipality to put measures in place for consideration of the budget by the 31st May 2020 to ensure compliance.

The above prompted consideration of critical procedural and substantive issues that needed to be adhered to ensure implementation of the above, and as such the following rules are hereby submitted for consideration and resolution.

Rule 3 of rules and orders of Council provide that:

- “3.1 The Council may by resolution dispense with or suspend a provision of these rules for a specific period or purpose.*
- 3.2 The suspension of any provision of these Rules may not be in conflict with the Constitution, or relevant legislation and its operation must be limited to the particular purpose for which it has been approved.*
- 3.3 Any motion to suspend any provision of these Rules be subject to the provision dealing with motions without notice*
- 3.4 A majority of the members of the Council must be present before a decision may be taken to suspend any provision of these Rules.”*

To enable Council to proceed with its business, the following is brought to Council to dispense with the following rules and order for it to consider approval of the annual

budget and adoption of the Integrated Development Plan for the financial year 2020 - 2021

Rule	Content	Reason
1.	Definition of a "day" shall mean a day that is not a public holiday, Saturday or Sunday	Due to the above motivation, it is recommended that the rules be relaxed to include public holiday, Saturday and Sunday.
6.1	Special Council Meeting The Speaker may at any time of own accord and shall, upon request in writing of a majority of the councillors of the municipality, call a special meeting of the council, provided that no such special meeting shall take place unless all councillors were given at least 48 hours' notice prior to the date and time set for the meeting	It is recommended that the rule be relaxed to allow for the 24hour notice.
9.	Service of Notice At least 5 (five) days before any ordinary meeting of the Council and at least 48 (forty eight) hours before any special meeting of the Council, a notice to attend the meeting, specifying the business proposed to be transacted thereat, and signed by the Speaker and the Municipal Manager.	The rule be relaxed to allow for 24 hours before any special meeting of Council, a notice to attend the meeting, specifying the business proposed to be transacted thereat, and signed by the Speaker and the Municipal Manager. While this rule is relaxed, it can be relaxed as to affect quorum for purposes of decision making.

Financial implications

There are financial implications in terms of data connectivity and are to be determined.

Other Parties Consulted

Mayoral Committee

Resolutions

It was resolved that:

- 1) Council **note** and **accept** the report.

- 2) Council **consider to suspend** the rules 1, 6.1, 9, and any other rule that is likely to limit the ability of members of Council to consider the annual budget and IDP for the financial year 2020 -2021 within regulated timeframe.

This is certified as a true copy of the original.



MR. G. MASHIYI
MUNICIPAL MANAGER

**CHRIS HANI DISTRICT
MUNICIPALITY**

2020 -06- 01

MUNICIPAL MANAGER'S OFFICE
P/BAG X7121 QUEENSTOWN 5320



**EXTRACT OUT OF MINUTES OF SPECIAL COUNCIL MEETING HELD ON THE
31ST MAY 2020.**

C913. CHDM 2020 -2021 FINAL IDP REVIEW AND FINAL BUDGET 2020- 2022 MTREF.

Purpose:

To present to the Council for consideration and recommendation for adoption to Council the 2020-2021 CHDM's reviewed Integrated Development Plan (IDP) and 2020 -2022 Budget MTREF

Authority:

Council of the Chris Hani District Municipality

Legislative Framework:

Constitution of the Republic of South Africa

Local Government: Municipal Structures Act

Local Government: Municipal Systems Act

Local Government: Municipal Finance Management Act and Regulations

Municipal Planning and Performance Management Regulations

Background:

By 28th August 2019, Chris Hani District Municipality adopted the IDP Framework and IDP/Budget/PMS Process Plan for the development of 2020-2021 IDP Review which was to be the 3rd review of the "fourth" 2017-2022 Integrated Development Plan (IDP) for the Municipality for the period 2020 - 2021. The IDP was developed in accordance

with the requirements set out in the Municipal Systems Act (32 of 2000) and the Municipal Planning and Performance Management Regulations (2001).

The Municipal Systems Act 32 of 2000 reflects that the IDP must be developed and reviewed annually together with the Municipality's Performance Measurement System. This means that the development and later reviewal of the IDP will go hand-in-hand with the implementation of a Performance Management System and the Budget Cycle.

Section 16 of the Local Government Municipal Finance Management Act (MFMA) prescribes that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year.

Section 68 of the MFMA assigns the Accounting Officer the responsibility of assisting the Mayor in performing the budgetary functions assigned to the latter in terms of Chapters 4 and 7.

In terms of the MFMA, section 16(2), the Mayor of a municipality must table an annual budget at a Council meeting at least 90 days before the start of the budget year.

Section 17(1) of the MFMA further states that an annual budget must be a schedule in a prescribed format and further outlines the contents that should be included in such annual budget.

The prescribed format is outlined in regulation 9 of the MBRR, which states that "the annual budget and supporting documentation of a municipality must be in a format specified in Schedule A and include all the required tables, charts and explanatory information".

The later paragraph is also supported by regulation 14(1) of the MBRR to ensure that municipalities table in Council a budget in a prescribed format that is credible and realistic.

The budget brought to the attention of the Council, recognises the funding streams of Council that have remained the same as in the previous budget years being mainly service charges for water and sanitation services and grant funding from both National Treasury and Provincial State Departments. Other revenue in addition to above is interest on investments and outstanding debtors, and sundry revenue.

The expenditure of the municipality is as a result of employee related costs, councillors allowances, expenditure on operating and capital grants, transfers and grants to the municipal entity, funding for SMME's, Contracted Services, Debt Impairment, Depreciation on Property Plant and Equipment and other expenditure that includes general expenses, IDP programmes and repairs and maintenance.

Exposition of Facts

The IDP is developed and later reviewed annually in order to:

- Ensure its relevance as the Municipality's Strategic Plan;
- Inform other components of the Municipal business processes including institutional and financial planning/ budgeting;
- Inform the cyclical inter-governmental planning and budgeting cycle.

For the IDP to remain relevant, the Municipality must assess its past performance and achievement of its targets [strategic objectives]. In the light of this assessment, the IDP is reviewed to reflect the impact of its success as well as corrective measures to address challenges. The IDP will also be reviewed in the light of changing internal and external circumstances that impact on the priority issues, objectives, strategies, projects and programmes of IDP.

Chris Hani District Municipality as earlier mentioned prepared an IDP/Budget/PMS process plan which was adopted by Council by 28th August 2019, and this Process Plan action programme for the 2020/2021 to 2021/2022 Medium Term Revenue and Expenditure Framework (MTREF).

The process culminates into the budget for the financial year 2020-2021 which is addressing the matters as lifted and reflected on our IDP Review of 2020-2021 financial years. Chapter 6 of this 2020-2021 CHDM IDP Review covers a detailed financial plan for the municipality unto which the programmes and challenges will be addressed

The final budget for 2020/2021 MTREF period, started with a process of considering the issues that were raised in the strategic sessions for previous years that influenced the current IDP, taking into account allowable increases (parameters) of 4,5 %, 4,6 % and 4,6 % for the current and two outer years as determined by National Treasury in MFMA Circular 99 dated 09 March 2020.

The salaries budget recognises current salary levels and potential increases for cost of living and general annual increase that will be effected in July 2020.

All Directorates were requested to provide further input to the operational budget based on their needs and also taking into account the constraints presented by the limited revenue sources. Provincial allocations (including agency functions) made/expected to the district were not confirmed for current and outer budget years.

No budget provision has been made in instances where current/outer year allocations were not confirmed by the provincial government departments. If such allocations

come to the attention of the municipality they will be included in the final budget before adoption by Council in May 2020.

The budget of the Chris Hani Development Agency for the current financial year will be presented to Council for approval and as such the previous financial year's allocation has been increased to R38,031million from R31.638million. The increase is attributed to CDC operating grant amounting to R6million has been reallocated from IPED to CHDA. An additional amount of R2million for Komani Industrial Park, R1million for coal Exploration and R1 for Livestock Beef improvement.

The final budget, proposes a tariff increase by 4.9 % in all chargeable service revenue streams. The tariff study is currently underway and its outcomes will be communicated to Council before implementation. The proposed tariff increases are attached as an annexure to the executive summary.

The outcome of the final budget process was a surplus of R 95.817 million, when taking into account both capital and operating expenditure, an increase compared to the current year surplus. The surplus is also affected by non-cash items of expenditure, depreciation on assets and debt impairment. When compared to the second adjustment budget the surplus has decreased by R 50.757 million.

The capital programmes funded from capital grants were budgeted to the extent of funds allocated by National government.

TABLE 1: FINAL BUDGET SUMMARY 2020/21 TO 2022/2023 MTREF:

Chris Hani District Municipality Consolidated Budget summary: 2020/21 Final Budget						
Description	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year + 2021/22	Budget Year + 2022/23
R thousand						
Total Operating Revenue	948 222	1 181 658	-	1 143 071	1 167 836	1 276 824
Capital Revenue	426 769	420 411		620 504	569 577	481 874
Total Revenue	1 374 991	1 602 069	-	1 763 575	1 737 412	1 758 698
Total Operating Expenditure	1 351 408	1 126 448	-	1 044 453	1 049 956	1 142 775
Capital Expenditure	521 769	455 229	-	620 504	569 577	481 874
Total Expenditure	1 873 178	1 581 677		1 664 957	1 619 533	1 624 649
Total Surplus/(Deficit)	(498 187)	20 392	-	98 617	117 880	134 049

The table above reflects a total budgeted surplus of R 98.617 million, an increase of R 75.425 million when compared to the second adjustment budget and an increase of R 399.570 million when compared to the final approved budget for 2019/20 financial year. The surplus drastically increases in 2021/22 to R 117.880 million and in 2022/2023 to R 134.039 million.

The municipality is deploying a revenue enhancement strategies and the completeness of billing upon finalisation of the data cleansing programmes.

FINAL BUDGET 2020/2021 MTREF:-

The following tables (table 2 to 7) illustrate the anticipated proposed revenue and expenditure streams for the MTREF:-

Grants and Subsidies represent the combination of all grants and subsidies utilised to fund the operating budget including provincial agency grants. This also includes the Equitable Share, Finance Management Grant (FMG), and allowable portion of the MIG to fund the Project Management Unit (PMU), etc.

Investment revenue comprises anticipated interest on surplus funds invested that are not immediately required for service delivery. Service charges is estimated water and sanitation revenue from the WSA/WSP function undertaken by the District municipality.

Other revenue comprises the anticipated sundry income such as administration fees on salary deductions, sale of tender documents etc.

Table 2: Operating Revenue 2020/21 MTREF: Table A4: R 1 143 071

Chris Hani District Municipality Operating Revenue by Source: Draft Budget 2020/21 MTREF							
Description	2017/18	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year + 2021/22	Budget Year + 2022/23
Revenue By Source							
Service charges - water revenue	221 966	249 364	187 503	244 292	263 835	269 332	282 798
Service charges - sanitation revenue	53 070	56 102	56 959	59 240	65 177	65 951	69 248
Rental of facilities and equipment	-	-	289	289	304	319	335
Interest earned - external investments	27 268	35 856	34 812	36 036	37 838	39 730	41 716
Interest earned - outstanding debtors	11 355	38 495	34 090	38 495	40 420	42 441	44 563
Transfers recognised - operational	565 322	596 832	633 215	725 120	649 964	663 222	747 007
Other revenue	3 296	747	1 154	77 985	82 532	86 642	90 956
Gains on disposal of PPE	-	-	200	200	3 000	200	200
Total Revenue (excluding capital transfers and contributions)	882 277	977 396	948 222	1 181 658	1 143 071	1 167 836	1 276 824

The above table reflects an overall decrease of R 41.4 million or 4,0 % in operating revenue when compared with the second adjustment budget or an increase of R 192.0 million when compared with the approved budget for 2019/20 financial year. The decrease mainly resulted from the decrease in Transfers recognised-operational that was influenced by a decrease in operational grants.

The following revenue sources had increased when compared to the second adjustment budget:-

Service Charges Water – (R 19.5 million) or 8 %;

Service Charges Sanitation – (R 5.9 million) or 10%;

Interest on investments – (R 1.8 million) or 5 %;

Interest on outstanding debtors – (R 1.9 million) or 5 %; and

Other Revenue – (R 4.5 million) or 6 %

The following revenue sources had decreased when compared to the second adjustment budget:

Transfers and Subsidies – (R 47.2 million) or 6,5 %.

The increases above are in line with CPI as suggested in MFMA Circular 99 of increases between 4.5 and 4.6 percent, also influenced by adjustments that have been effected on applicable tariffs and the decrease in transfers and grants emanates from the reduced operating grants allocations.

Chris Hani District Municipality Perc Growth in Operating Revenue by Source Draft Budget 2020/20 MTREF							
Description	Adjusted Budget	%	2020/21 Medium Term Revenue & Expenditure Framework				
			Budget Year 2020/21	%	Budget Year + 2021/22	%	Budget Year + 2022/23
R thousand							
Revenue By Source							
Service charges - water revenue	244 292	8	263 835	2	269 332	5	282 798
Service charges - sanitation revenue	59 240	10	65 177	1	65 951	5	69 248
Rental of facilities and equipment	-	0	304	-	322	-	335
Interest earned - external investments	36 036	5	37 838	5	39 730	5	41 716
Interest earned - outstanding debtors	38 495	5	40 420	5	42 441	5	44 563
Transfers recognised - operational	725 120	(10)	649 964	2	663 222	13	747 007
Other revenue	77 985	6	82 532	5	86 642	5	90 956
Gains on disposal of PPE	200	##	3 000	(93)	200	-	200
Total Revenue (excluding capital transfers and contributions)	1 181 369	(3)	1 143 071	2	1 167 839	9	1 276 824

The above table presents revenue growth over the 2020/21 MTREF period compared to the current budget year.

Table 3: Operating Expenditure 2020/21 MTREF: Table A4: R 1,044,453

Chris Hani District Municipality Operating Expenditure by Standard classification Draft Budget 2020/21 MTREF							
Description	2017/18	2018/19	Current Year 2019/20		2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year + 2021/22	Budget Year + 2022/23
Expenditure By Type							
Employee related costs	288 537	342 135	337 874	344 682	371 509	388 096	410 816
Remuneration of councillors	11 162	11 665	13 902	12 427	13 173	13 963	14 801
Debt impairment	267 392	173 391	200 000	129 735	129 735	134 924	140 321
Depreciation & asset impairment	140 514	155 530	140 000	155 000	128 309	133 442	138 779
Finance charges	117	267		40	500	540	582
Bulk purchases	16 178	19 156	26 139	20 306	17 321	18 387	19 506
Other materials			25 657	23 181	24 328	25 421	26 560
Contracted services	195 118	247 571	405 549	283 847	220 518	197 244	247 750
Transfers and grants	97 675	29 339		31 638	38 031	34 356	34 744
Other expenditure	192 622	207 014	202 287	125 592	101 030	103 583	108 916
Loss on disposal of PPE	742	156	-	-	-	-	-
Total Expenditure	1 210 057	1 186 222	1 351 408	1 126 448	1 044 453	1 049 956	1 142 775

The table above reflects an overall decrease of R 81.995 million or 7 % when comparing the proposed budget with the second adjustment budget and a decrease of R 307.0 million when comparing the proposed budget with the approved budget for 2019/20 financial year.

Table 4: EPWP Grant Funding 2020/21: R 6.376 million:-

Chris Hani District Municipality EPWP Funding draft Budget 2020/21 MTREF					
Description	Adjusted Budget 2019/20	Adjusted Budget 2019/20	Budget Year 2020/21	Decrease	% Increase
	R	R	R	R	%
Municipal manager	500	500	-	(500)	-100%
Corporate Services	1,900	1,900	3,296	1,396	73%
Integrated Planning & Development	984	984	1,352	368	37%
Health and Community Services	1,258	1,258	1,728	470	37%
Total	4,642	4,642	6,376	1,734	37%

The table above reflects a 37.4 % increase in EPWP grant funding allocation for 2020/21 budget year when compared with 2019/20 budget year. The increase resulted from the increased allocation in the current year budget. There is no reflection of allocations in the two outer years as this grant is not guaranteed in the outer years.

Table 5: Equitable Share Funded Programmes 2020/21: R 35.1 million:-

Chris Hani District Municipality Equitable share Funding Budget 2020/21 MTREF					
Description	Original Budget 2019/20	Adjusted Budget 2019/20	Budget Year 2020/21	Increase/ (Decrease)	% Change
	R	R	R	R	%
Municipal manager	8 253	3 737	2 288	(1 449)	-39%
Corporate Services	15 000	3 950	3 741	(208)	-5%
Integrated Planning & Development	58 100	30 999	20 025	(10 974)	-35%
Health and Community Services	17 453	7 160	7 237	76	1%
Budget and Treasury Office	2 100	1 516	1 416	(100)	-7%
Technical Services	2 200	450	450	-	0%
Total	103 106	47 811	35 156	(12 655)	-26%

The above table reflects a decrease in equitable share funded programmes by 26 %, when comparing the proposed budget with the second adjustment budget. The decrease was influenced by low debt collection that resulted in prioritisation of the funds.

Table 6: Final Budget – Capital Revenue 2020/21 MTREF: Table - R 620.5 million:-

Chris Hani District Municipality Capital Revenue 2020/21 MTREF Draft Budget					
Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
Capital Transfers and Grants					
National Government:	426,769	420,411	620,504	569,577	481,874
Municipal Infrastructure Grant (MIG)	245,426	239,371	228,186	262,448	286,937
Regional Bulk Infrastructure (RBIG)	105,329	101,829	307,318	217,129	109,937
Water Services Infrastructure Grant (WSIG)	76,015	79,211	85,000	90,000	85,000
Municipal Water Infrastructure Grant (MWIG)	-	-			
Provincial Government:	-	-	-	-	-
Provincial Treasury			-		-
DHS Unblocking			-		-
Total Capital Transfers and Grants	426,769	420,411	620,504	569,577	481,874

MIG, RBIG, WSIG are conditional grants allocated per the DORA to specified approved projects.

The 47.6 % overall increase in capital grant funding is a result of increased allocations in the following grants:

RBIG - (R 205.6 million) or 47.6 %; and

WSIG - (R 5.8 million) or 7.3 %.

The MIG Capital has decreased by R 11.2 million) or 4.7 %, this is a result additional allocation to Sanitation programme under operating budget.

Table 7: Final Budget – Capital Expenditure 2020/21 MTREF: Table - R 620.5 million :-

Chris Hani District Municipality Capital Expenditure by vote Draft Budget 2020/21 MTREF					
Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23
R thousand					
Capital expenditure -vote					
Multi-year expenditure to be appropriated					
<u>Vote 7 - Technical Services</u>	426,769	420,411	620,504	569,577	481,874
Capital multi-year expenditure sub-total	426,769	420,411	620,504	569,577	481,874
Single-year expenditure to be appropriated					
Vote 1 - Council					
Vote 2 - Municipal manager					
Vote 3 - Budget & Treasury	22,500	12,556	-	-	-
Vote 4 - Community Services					
Vote 5 - Corporate Services	72,500	22,261	-	-	-
Vote 6 - Planning & Development					
Vote 7 - Technical Services	-	51,000	-	-	-
Capital single-year expenditure sub-total	95,000	34,818	-	-	-
Total Capital expenditure-vote	521,769	455,229	620,504	569,577	481,874

The table above reflects the total capital expenditure for 2020/21 MTREF, which represent an increase in capital expenditure resulting from the increased allocations in conditional grants for infrastructure projects.

Proposed tariffs for 2020/21 Budget Year are attached as per annexure:

Other parties consulted:

CHDM Management, LM's IDP/Strategic Managers

COGTA-EC, Eastern Cape Department of Treasury and National Treasury

Financial implications:

Increase in uncollectable consumer service debtors, thus increasing the provision for debt impairment;

Decrease in grant funding, thus decreasing projects funded from conditional grants and internal programmes;

The budget deficit that is limited to non-cash items and assets that are funded from municipal reserves.

Resolution(s):

It is resolved that:

- 1) Council **note** and **adopt** the CHDM 2020-2021 Final IDP Review
- 2) Council **approve** the final budget for 2020/2021 MTREF;
- 3) Council **consider** the final operating and capital budget for 2020/2021 to 2022/2023 MTREF for **approval** as reflected in table A1;
- 4) The operating expenditure of R 1,044 billion and operating revenue of R 1,140 billion be **approved** by Council as reflected in Table A4;
- 5) The capital expenditure of R 620.5 million and capital revenue of R 620.5 million be **approved** by Council as reflected in Table A5;
- 6) Council **approve** the 4.9 % tariff increase for water, sanitation and municipal health tariffs; Fire tariffs and
- 7) Council **approve** and **confirm** the debt and credit control policy, tariff policy, cash and bank Policy, Asset Management Policy, Inventory Management Policy and Budget Policy as there are no amendments required.

This is certified as a true copy of the original.



MR. G. MASHIYI
MUNICIPAL MANAGER





**EXTRACT OUT OF MINUTES OF SPECIAL COUNCIL MEETING HELD ON THE
31ST MAY 2020.**

**C914. CHRIS HANI DEVELOPMENT AGENCY FINAL BUDGET 2020 – 2022
MTREF**

Purpose

The purpose of this document is to submit CHDA final budget for 2020/21-2022/23 Medium Term Revenue and Expenditure Framework Budget to the council for approval.

Authority:

Chris Hani Development Agency

Chris Hani District Municipality

Legislative framework

MFMA section 87

- (1)** The board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality.
- (2)** The parent municipality must consider the proposed budget of the entity and assess the entity's priorities and objectives. If the parent municipality makes any recommendations on the proposed budget, the board of directors of the entity must consider those recommendations and, if necessary, submit a

revised budget to the parent municipality not later than 100 days before the start of the financial year.

- (3) *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.*
- (4) The board of directors of a municipal entity must approve the budget of the municipality entity not later than 30 days before the start of the financial year, taking in to account any hearing or recommendations of the council of the parent municipality.

Background:

CHDA budget had been compiled within the framework of the Municipal Finance Management Act (MFMA), MFMA Circular 98 issued on the 06th December 2019 and Municipal Budget and Reporting Regulations (MBRR). The MBRR prescribes the process, format and content of budgets of municipalities and their entities. The purpose of the Municipal Budget and Reporting Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability, consistency and appropriate lines of responsibility in the budgeting and reporting processes. MBRR aims to improve financial and service delivery sustainability, of municipalities.

Exposition of facts

Budget Principles

Developing CHDA Final budget for 2020/21-2022/22 the following considerations has been made

- A Mix of incremental and zero based budgeting method has been used as a basis of budgeting ensuring that cost containment principles are consider to ensure that operational expenditure budget is minimised
- It also took into consideration comments from the parent municipality during the draft budget stage

Circular 98 requirements are adhered to

- Used macro-economic forecasts (2020/21- 4.9%, 2021/22- 4.8%, 2022.23 – 4.8%)
- Employee related costs are based on the SALGC 3 year salary and wage collective agreement (1 July 2018- 30 June 2022) which

requires that salary increase for 2020/21 be average inflation rate plus 1.25% amounting to 6.15% (4.9% + 1.25)

Table 1 Final Income Budget

INCOME							
Source	Final Budget 2018/19	Original Budget 2019/2020	Revised Budget 2019/2020	Draft Budget 2020/2021	Draft Budget 2021/2022	Draft Budget 2022/2023	Percentage
CHDM Subsidy	- 20 680 000.00	- 21 838 080.00	- 24 338 080.00	- 25 530 645.92	- 26 756 116.92	-28 040 410.54	40%
Interest	- 566 320.00	- 598 033.92	- 359 027.96	- 376 620.33	- 394 698.11	- 413 643.61	1%
Agency Fees	- 500 000.00	- 500 000.00	- 357 445.38	- 374 960.20	- 392 958.29	- 411 820.29	1%
Other Income	- 30 000.00	- 31 680.00	- 70 127.14	- 73 563.37	- 77 094.41	- 80 794.94	0%
Tender Fees	- 25 000.00	- 26 400.00	- 8 869.56	- 9 304.17	- 9 750.77	- 10 218.81	0%
Donations Received	- 30 000.00	- 31 680.00	-	-	-	-	0%
Mechanisation Centre Income	- 1 000 000.00	- 2 000 000.00	- 1 500 000.00	- 3 000 000.00	- 3 144 000.00	- 3 294 912.00	5%
Project Funds	- 38 631 942.00	- 21 639 270.00	- 49 920 783.00	- 34 243 346.00	- 16 650 573.00	-17 027 853.00	54%
Total Income Budget	- 61 463 262	- 48 685 144	- 76 554 333	- 63 608 440	- 47 425 192	- 49 279 653	100%

- Agency is still fully dependent to the parent municipality
- 81% of its budget is expected from the parent municipality (40% operational budget and 41 % on projects)
- Only 12.8% is from external funders
- And 6.2% is anticipated from other funding streams (Interest, Mechanisation income and agency fees)
- Total income budget has decrease from the 2019/20 final budget of R 76 554 333.00 to R 63 608 440 (17% decrease)
- The agency income generally is not yet sustainable as its flows up and down due to instability of the sources of income (Project Costs) the graph below shows the trend (illustration 1 below)

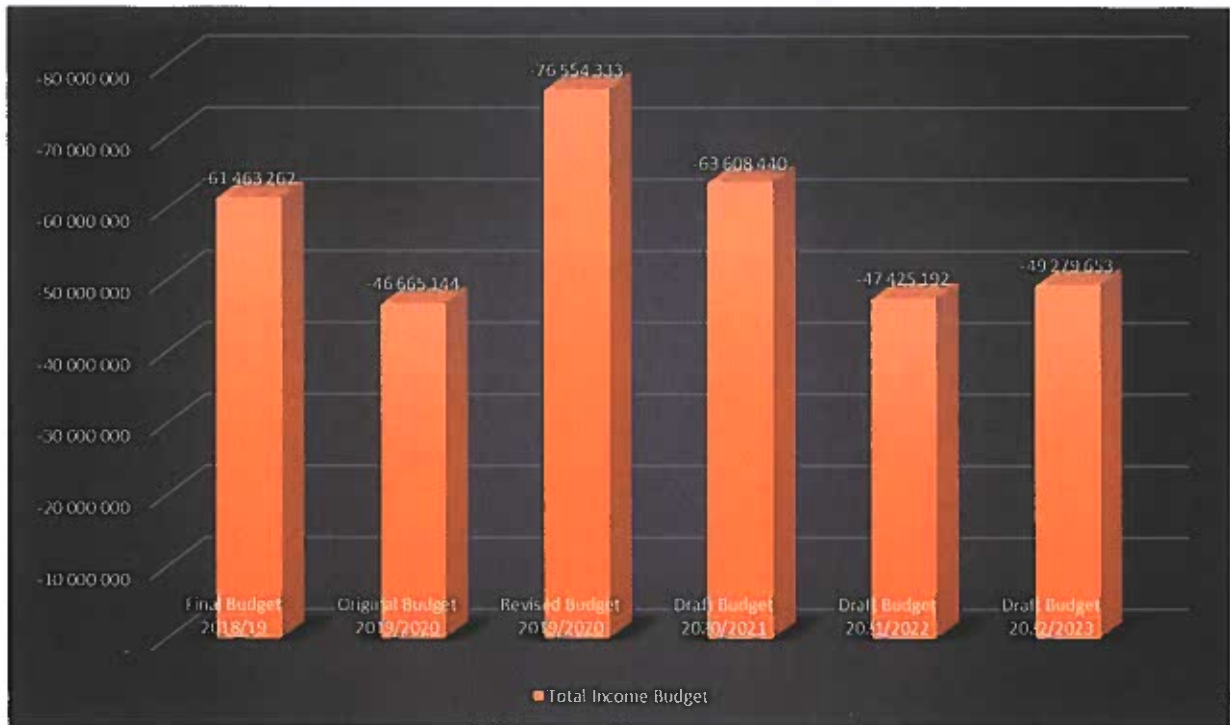


Table 2 Final Expenditure Budget

EXPENDITURE							
Source	Final Budget 2018/19	Original Budget 2019/2020	Revised Budget 2019/2020	Draft Budget 2020/2021	Draft Budget 2021/2022	Draft Budget 2022/2023	
Project Expenditure	38 631 942.00	21 639 270.00	49 920 783.00	34 243 346.00	16 760 221.61	17 252 413.35	53%
Operational Expenditure	23 228 385	26 639 816.86	27 876 249.30	30 367 274.02	31 383 502.42	32 889 878.27	
<i>Programmes</i>	520 000.00	1 624 000.00	560 000.00	542 553.26	568 595.81	595 888.41	1%
<i>General Expenses</i>	6 438 065.58	6 802 172.46	8 403 027.83	8 249 551.07	8 623 313.76	9 037 184.82	13%
<i>Repairs and Maintainance</i>	59 117.01	120 187.56	467 667.47	199 033.79	208 587.41	218 599.61	0%
<i>Depreciation or Amortisation</i>	1 620 000.00	1 710 720.00	1 100 000.86	1 153 900.90	1 209 288.15	1 267 333.98	2%
<i>Asset Finance Reserve</i>	150 000.00	58 400.00	147 800.00	754 000.00	370 992.00	388 799.62	1%
<i>Employee Related Costs</i>	14 441 202.51	16 324 336.84	17 197 753.15	19 468 235.00	20 402 725.28	21 382 071.83	30%
Total Expenditure	61 860 327.10	48 279 088.86	77 797 032.30	64 610 620.02	48 143 724.02	50 142 291.62	
Deficit/Surplus	397 065.10	1 613 942.94	1 242 699.26	1 002 180.03	718 532.52	862 638.43	

- Employee related costs constitutes 30% of the total expenditure budget
- Project budget is 53%
- General Expenses is at 13 %
- Asset Finance reserve has been increased by R 754 000.00 to procure new assets (software, vehicle and office equipment)

The total draft budget has deficit of R 1 002 180.03 which is not acceptable but at least it is within the amortisation/depreciation cost of R 1 153 900.00 which is non-cash item.

Detail of Final Project Budget

- Project budget is based on current agreements with external funders and anticipated funding from the parent municipality based on projects that the agency has been implementing on behalf of the parent municipality and proposed projects.
- Chris Hani Co-operative Development Centre Budget has been added as it has been agreed upon during the draft budget process that their operation funds will be transferred to CHDA and the agency enter into agreement with CDC on operations and reporting. An additional 8 million has been added on projects for CDC.
- The total draft project budget for 2020/2021 is R 34 243 346 (CHDM R26.1 million which constitute 76% and R8.1 million which is 24%) see table 3 below

Table 3 Project Funds Detail

Project Name	Original Budget 2019/2020	Revised Budget 2019/2020	Draft Budget 2020/2021	Draft Budget 2021/2022	Draft Budget 2022/2023	Comments
CHDM - Irrigation Schemes and Mechanisation Centre	3 000 000.00	6 000 000.00	5 000 000.00	5 240 000.00	5 491 520.00	Old
CHDM - Livestock Improvement	2 600 000.00	2 506 227.00	2 600 000.00	2 506 227.00	2 506 227.00	Old
CHDM - Bursary fund Expenditure	2 500 000.00	1 503 783.00	2 500 000.00	2 620 000.00	2 745 760.00	Old
CHDM - Investment Pro and SMME Development	4 000 000.00	5 315 684.00	4 000 000.00	4 000 000.00	4 000 000.00	Old
CHDM Fertiliser Blending Feasibility Study		800 000.00				
CHDM Coal Exploration Mining		500 000.00	1 000 000.00			Started in 2019/20
CHDM Livestock improvement beef infrastructure		1 000 000.00	1 000 000.00			Started in 2019/20
CHDM Komani Industrial Park Operations			2 000 000.00			Proposed (New)
CHDM Eyethu Biltong Factory		2 187 123.00				
CHCDC Operational Budget			8 000 000.00			New
CHDM-Heritage Projects	-	169 000.00				
Sub Total CHDM Funded Projects	12 100 000.00	19 981 817.00	26 100 000.00	14 366 227.00	14 743 507.00	76%
IDC-Mechanisation Centre Expenditure	5 000 000.00	4 821 870.00				
DRDAR-Management of Irrigation Schemes	2 889 270.00	2 284 346.00	2 284 346.00	2 393 994.61	2 508 906.35	Awaiting final agreement in April
DEA - Lukhanji waste project	-	5 800 000.00	720 000.00			Approved project being finalised
CETA Skills Grant Expenditure	-	317 500.00				
CETA Apprenticeship Programme	1 650 000.00	1 526 250.00	4 950 000.00			Agreement in place
HWSETA Internship Grant		189 000.00	189 000.00			Agreement in place
DEDEAT Project Expenditure	-	15 000 000.00				
Subtotal Other External Funders Projects	9 539 270.00	29 938 966.00	8 143 346.00	2 393 994.61	2 508 906.35	24%
Grand Total	21 639 270.00	49 920 783.00	34 243 346.00	16 760 221.61	17 252 413.35	

- In the projects from CHDM 4 of the projects have been implemented by the agency for the past few years (irrigation Schemes and Mechanisation Centre, Bursary Fund, Livestock Improvement Vaccination, and SMME Development Project)

- New projects initiated in 2019/20 based on CHDA/ CDC initiatives and were partly funded by the parent municipality in 2019/20 (Coal mining exploration and Livestock improvement beef infrastructure)
- Komani Industrial park operation is a new proposed project to the parent municipality to assist the agency in its initiatives to make the park operational as it has been approved by the Enoch Mgijima Municipality that the agency must be the operator and already there is a lot of external funding that has been invested in the park (R 66 Million by DTI and 30 million by DEA). This project is having future revenue spin offs but for it to operate initially it needs funding the Enoch Mgijima does not have funding to make it operational.
- Additional 8 million is for CDC operations proposed by the parent municipality

Funds required from the parent municipality

The entity requires 81% of its budget from the parent municipality which amounts to R 51 630 645.92 in 2020/21 as follows

- Operational Budget R 25 530 645.92
- Projects Budget R 26 100 000.00

Qamata Mechanisation Centre Proposed Tariffs

In 2019/20 financial year the agency started an initiative to make QMC operational by ensuring that farmers pay for the services they are provided to them by the centre so that the centre can be sustainable as it had a lot of operational challenges then. The agency has seen a lot of improvement in the services of the centre ever since this initiative a centre manager has been appointed and staff component of the centre has maximised since July 2019.

It was decided that the tariffs for the centre must be more of cost recovery but also take into consideration the subsidy the parent municipality is giving the centre annually. Based on this the tariffs in 2019/20 financial year were based on DRDAR's services tariffs less 25% as the service is also subsidised to assist the farmers in the regions.

Due to challenges that the farmers are still experiencing regarding getting mechanisation in the area it is proposed that the interest be kept at the current tariff with zero percent increase (0 % increase 2020/21)

Table 4

Item	2019_20		Proposed 2020_21		
	DRDAR	QMC Rates	DRDAR	QMC Rates	% Increase
Ripping/Ploughing	975	R731	1090	R731	0%
Disking	680	R458	950	R458	0%
Planting	610	R458	775	R458	0%
Spraying	275	R206	385	R206	0%
Fertilizer app	250	R188	385	R188	0%
Harvesting	1200	R900	1200	R900	0%
Lucerne baling	1800	R1 350	2000	R1 350	0%

Changes from the draft budget

- Additional 8 million for CDC operations
- Budget has been aligned to the detailed salaries budget
- Tariff increase has be reconsiders due to inputs from the parent municipality
- Few considerations on other expenditure items to accommodate increase on salaries budget due to alignment

Financial Implications:

The entity require 81% of its budget from the parent municipality which amounts to R 51 630 645.92 in 2020/21 as follows:

Operational Budget R 25 530 645.92 and Projects Budget R 26 100 000.00

Parties Consulted:

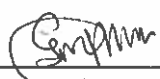
CHDA Board, Mayoral Committee

Resolutions:

It was resolved that:

- 1) It is recommended that the Council approves CHDA Final Budget for the 2020_21-2022_23 MTREF amounting to R 63 608 439.99 and R 64 610 620 (Expenditure)
- 2) That Council approves zero percent (0%) increase on Mechanisation Centre tariffs.

This is certified as a true copy of the original.



MR. G. MASHIYI
MUNICIPAL MANAGER

CHRIS HANI DISTRICT MUNICIPALITY
 2020 -06- 0 1
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