



**EXTRACT OUT OF MINUTES OF AN ORDINARY COUNCIL MEETING HELD ON 26 MAY 2021.**

**C1008. FINAL CHDM INTERGRATED DEVELOPMENT PLAN (IDP) REVIEW FOR 2021 - 2022 FINANCIAL YEAR (FY) & DRAFT BUDGET FOR 2021 – 2023 MTREF.**

**Purpose:**

To present to Council 2021-2022 CHDM Final IDP Review/ Budget for adoption.

**Authority:**

CHDM Council

**Legislative Framework:**

The Local Government: Municipal Systems Act 32 of 2000 as amended.

The Local Government: Municipal Structures Act 117 of 1998 as amended.

The Municipal Planning and Performance Management Regulations (2001 & 2006)

The Municipal Finance Management Act 56 of (2003).

**Background:**

By 25<sup>th</sup> August 2020, Chris Hani District Municipality adopted the IDP Framework and IDP/Budget/PMS Process Plan for the development of 2021-



2022 IDP Review which was to be the 4<sup>th</sup> review and last review of the "fourth" 2017-2022 Integrated Development Plan (IDP) for the Municipality for the period 2021 - 2022. 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 review 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 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.

**Exposition of Facts:**

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

- a) Ensure its relevance as the Municipality's Strategic Plan;
- b) Inform other components of the Municipal business processes including institutional and financial planning/ budgeting;
- c) 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.

As the IDP is developed for a period of 5 years and reviewed annually the Municipal Finance Management Act also regulates processes of drafting a budget for that particular financial year. The MFMA referred to above indicates, **“The mayor of a municipality must –**

**[21(a)] co-ordinate the process for preparing the annual budget....., [21(b)] at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines....”**

The process culminates into the budget for the financial year 2021-2022 which is addressing the matters as lifted and reflected on our IDP Review of 2021-2022 financial years. Chapter 6 of this 2021-2022 CHDM IDP Review covers a detailed financial plan for the municipality unto which the programmes and challenges will be addressed.

After adoption of the Draft IDP/Budget of 2021-2022 by 31<sup>st</sup> March 2021 CHDM notices were placed on local newspapers notifying Chris Hani Community that IDP/Budget has been adopted. Draft IDP review document was made available to public as per Municipal Systems Act 32 of 2000 Sec 21(A) and (B). Copy of such has also been submitted to MEC for Local Government as well as EC-Treasury as prescribed by the same MSA 32 of 2000 as amended.

Council further mandated Executive Mayor to conduct IDP/Budget Roadshows as prescribed by legislation and roadshows were conducted utilising Vukani Community Radio due to Covid-19 and its regulations. Roadshows were conducted on the 28<sup>th</sup>, 29<sup>th</sup> April and 03<sup>rd</sup> May 2021. Inputs and comments made by community members were taken into consideration on this Final IDP Review.



The Final Draft budget for 2021/2022 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 3.9 %, 4.2 % and 4.4 % for the two outer years as determined by National Treasury in MFMA Circular 108 dated 08 March 2021.

The salaries budget recognises current salary levels and potential increases for cost of living and general annual increase that will be effected in July 2021.

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 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. The budget of the Chris Hani Development Agency for the current financial year has been presented to Council for approval and as such the previous financial year's allocation has been revised.

The final budget proposes a tariff increase by 4 % in all 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 non cash Surplus of R 43.6 million, when taking into account both capital and operating expenditure, a decrease compared to the current year surplus. The non-cash deficit is influenced by depreciation on assets and debt impairment. When



compared to the second adjustment budget the deficit has decreased by R 103.6 million.

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

**TABLE 1: PROPOSED FINAL BUDGET SUMMARY 2021/22 TO 2023/2024  
MTREF:**

<b>Chris Hani District Municipality Consolidated Budget summary: 2021/22 Final Budget</b>						
<b>Description</b>	<b>Current Year 2020/21</b>			<b>2021/22 Medium Term Revenue &amp;</b>		
	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Full Year Forecast</b>	<b>Budget Year 2021/22</b>	<b>Budget Year + 2022/23</b>	<b>Budget Year + 2023/24</b>
<b>R thousand</b>						
<b>Total Operating Revenue</b>	1,143,071	1,129,899	1,129,899	1,200,196	1,282,721	1,355,456
<b>Capital Revenue</b>	620,504	600,864	600,864	563,391	367,102	338,148
<b>Total Revenue</b>	<b>1,763,575</b>	<b>1,730,763</b>	<b>1,730,763</b>	<b>1,763,587</b>	<b>1,649,823</b>	<b>1,693,604</b>
<b>Total Operating Expenditure</b>	1,002,804	954,809	954,809	1,141,083	1,204,309	1,258,102
<b>Capital Expenditure</b>	620,504	628,678	628,678	578,891	368,662	339,771
<b>Total Expenditure</b>	<b>1,623,308</b>	<b>1,583,488</b>	<b>1,583,488</b>	<b>1,719,974</b>	<b>1,572,972</b>	<b>1,597,872</b>
<b>Total Surplus/(Deficit)</b>	140,267	147,275	147,275	43,613	76,852	95,732



The table above reflects a budgeted surplus of R 43.6 million, a decrease of R 103.6 million when compared to the second adjustment budget and a decrease of R 96.6 million when compared to the final approved budget for 2020/2021 financial year. The surplus is however increase in 2022/23 to R 76.8 million and increases in 2023/2024 to R 95.7 million.

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

**PROPOSED FINAL BUDGET 2021/2022 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), Municipal Systems Improvement Grant (MSIG) 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 2021/22 MTREF: Table A4: R 1 200 196 billion.**

<b>Chris Hani District Municipality Operating Revenue by Source:</b>				
<b>Final Budget 2021/22 MTREF</b>				
<b>Description</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Current Year 2020/21</b>	<b>2021/2022 Medium Term Revenue &amp;</b>

R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year + 2022/23	Budget Year + 2023/24
<b><u>Revenue By Source</u></b>							
Service charges - water revenue	249,351	241,313	263,835	182,547	274,388	285,364	296,778
Service charges - sanitation revenue	56,116	59,193	65,177	54,863	67,784	70,496	73,316
Rental of facilities and equipment	-	-	304		-	-	-
Interest earned - external investments	35,664	20,714	37,838	7,173	39,351	40,925	42,562
Interest earned - outstanding debtors	38,687	57,781	40,420	49,313	51,285	53,337	55,470
Fines, penalties and forfeits			87	87	90	94	98
Licences and permits			263	263	273	284	295
Agency services	-	-					

Transfers recognised - operational	596,832	698,412	649,964	751,382	678,553	740,206	791,228
Other revenue	747	2,021	82,183	82,183	85,470	88,889	92,445
Gains on disposal of PPE	-	2,026	3,000	2,088	3,000	3,126	3,264
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>977,397</b>	<b>1,079,436</b>	<b>1,143,071</b>	<b>1,129,899</b>	<b>1,200,196</b>	<b>1,282,721</b>	<b>1,355,456</b>

The above table reflects an overall increase of R 57.7 million in operating revenue when compared with the second adjustment budget or an increase of 5 % when compared with the approved budget for 2020/21 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 91.8 million) or 50 %;

Service Charges Sanitation – (R 12.9 million) or 24 %;

Interest on investments – (R 32.1 million) or 449 %;

Interest on outstanding debtors – (R 1.9 million) or 4 %;

Fines, penalties and forfeits – (R 3 thousand) or 4 %





Licences and permits – (R 10 thousand) or 4 %

Other Revenue – (3.3 million) or 4 %

Gains on disposal – (912 thousand) or 43.6%

The increases above are in line with CPI as suggested in MFMA Circular 108 of increases between 3.9 and 4.4 percent and the decrease in transfers and grants emanates from the reduced operating grants allocations.

<b>Chris Hani District Municipality Perc Growth in Operating Revenue by Source Final Budget 2021/22 MTREF</b>							
Description	2020/21 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2021/22	%	Budget Year + 2022/23	%
<b>Revenue By Source</b>							
Service charges - water revenue	182,547	50	274,388	4	285,364	4	296,778
Service charges - sanitation revenue	54,863	24	67,784	4	70,496	4	73,316
Rental of facilities and equipment	–	–	–	–	–	–	–
Interest earned - external investments	7,173	449	39,351	4	40,925	4	42,562
Interest earned - outstanding debtors	49,313	4	51,285	4	53,337	4	55,470
Transfers recognised - operational	751,382	(10)	678,553	9	740,206	7	791,228



Fines, penalties and forfeits	87	4	90	4	94	4	98
Licences and permits	263	4	273	4	284	4	295
Other revenue	82,183	4	85,470	4	88,889	4	92,445
Gains on disposal of PPE	2,088	44	3,000	4	3,126	4	3,264
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,129,899</b>	<b>6</b>	<b>1,200,196</b>	<b>7</b>	<b>1,282,721</b>	<b>6</b>	<b>1,355,456</b>

The above table presents revenue growth over the 2021/22 MTREF period compared to the current budget year.

**Table 3: Operating Expenditure 2021/22 MTREF: Table A4: R 1.141 083 billion.**

<b>Chris Hani District Municipality Operating Expenditure by Standard classification Final Budget 2021/2022 MTREF</b>							
Description	2018/19	2019/20	Current Year 2020/2021		2021/22 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year + 2022/23	Budget Year + 2023/24
R thousand							
<b>Expenditure By Type</b>							



Employee related costs	342,167	342,074	371,509	295,719	362,920	365,658	381,747
Remuneration of councillors	11,665	12,226	13,173	10,351	12,226	12,739	13,300
Debt impairment	173,391	278,891	129,735	129,735	278,891	290,605	303,391
Depreciation & asset impairment	152,026	157,913	128,309	127,309	157,838	164,467	171,704
Finance charges	(30)	88	500	698	510	531	555
Bulk purchases	-	-	-	-	-	-	-
Other materials	17,133	10,490	-	20,541	20,265	21,116	22,045
Contracted services	248,183	168,380	220,518	201,010	166,912	169,911	157,206
Transfers and grants	-	117,739	38,031	37,531	48,496	92,047	57,979
Other expenditure	235,749	134,190	101,030	112,220	82,784	107,224	112,745
Loss on disposal of PPE	156	315	-	-	-	-	-
<b>Total Expenditure</b>	<b>1,180,440</b>	<b>1,222,305</b>	<b>1,002,804</b>	<b>954,809</b>	<b>1,141,083</b>	<b>1,259,673</b>	<b>1,257,602</b>

The table above reflects an overall increase of R 186.2 million or 19.5 % when comparing the proposed budget with the second adjustment budget and an



increase of R 138.2 million or 13.7% when comparing the proposed budget with the approved budget for 2020/21 financial year.

Included on the Transfers and Subsidies is the CHDA Subsidy of R13,5 million, CHDA Admin fees of R2.5 million and Support to Chris Hani Development Centre of R2.5 million and Engcobo Subsidy of R2 million and in all totals to R20 million. **The following expenditure types had increased when compared to the second adjustment budget:-**

Employee related costs – (R 67.2 million) or 22.7%;

Councillors Allowances - (R 1.8 million) or 18 %;

Debt Impairment – (149.2 million) or 114.9 %

Depreciation – (30 million) or 24 %

Transfers and Subsidies – (10.9 million) or 29%

**Table 4: EPWP Grant Funding 2021/22: R 3.838 million :-**

<b>Chris Hani District Municipality EPWP Final Budget 2021/22 MTREF</b>					
<b>Description</b>	<b>Adjusted Budget 2019/20</b>	<b>Adjusted Budget 2019/20</b>	<b>Budget Year 2021/22</b>	<b>(Decrease)/in crease</b>	<b>% Increase</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
<b>Municipal manager</b>	689	689	422	(266)	<b>38.69</b>



Corporate Services	2,454	2,454	1,574	(880)	35.87
Integrated Planning & Development	1,352	1,352	1,036	(315)	23.34
Health and Community Services	55	55	806	751	(13.66)
<b>Total</b>	<b>4,549</b>	<b>4,549</b>	<b>3,838</b>	<b>(711)</b>	<b>15.63</b>

The table above reflects 15.6 % decrease in EPWP grant funding for 2021/22 budget year when compared with 2020/21 budget year. The decrease was influenced by the national decrease in all grants as a result of a decrease in the National fiscus. There is no reflection of allocations in the two outer years as this grants is not guaranteed in the

**Table 5: Equitable Share Funded Programmes 2019/20: R 26.2 million:-**

<b>Chris Hani District Municipality Equitable share Funding Final Budget 2021/22 MTREF</b>					
<b>Description</b>	<b>Original Budget 2020/21</b>	<b>Adjusted Budget 2020/21</b>	<b>Budget Year 2021/22</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
Municipal manager	2,288	361	3,123	2,762	765%



Corporate Services	3,741	2,364	3,025	661	28%
Integrated Planning & Development	20,025	17,071	14,551	(2,520)	-15%
Health and Community Services	7,237	2,089	4,457	2,368	113%
Budget and Treasury Office	1,416	301	301	0	0%
Technical Services	450	–	784	784	100%
<b>Total</b>	<b>35,157</b>	<b>22,186</b>	<b>26,240</b>	<b>4,054</b>	<b>18%</b>

The above table reflects an increase in equitable share funded programmes by 18 %, when comparing the proposed budget with the second adjustment budget. The increase was influenced by the need to improve on service delivery.



**Table 6: Final Budget – Capital Revenue 2021/22 MTREF: Table - R 563.3 million**

<b>Chris Hani District Municipality Capital Revenue 2021/22 MTREF Final Budget</b>					
<b>Description</b>	<b>Current Year 2020/21</b>		<b>2021/22 Medium Term Revenue &amp; Expenditure Framework</b>		
	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Budget Year 2021/22</b>	<b>Budget Year 2022/23</b>	<b>Budget Year 2023/24</b>
<b>R thousand</b>					
<b><u>Capital Transfers and Grants</u></b>					
<b>National Government:</b>					
	<b>620,504</b>	<b>599,908</b>	<b>563,391</b>	<b>367,102</b>	<b>338,148</b>
Municipal Infrastructure Grant (MIG)	228,186	222,590	243,526	228,328	253,232
Regional Bulk Infrastructure(RBIG)	307,318	307,318	241,811	85,774	59,716
Water Services Infrastructure Grant (WSIG)	85,000	70,000	78,054	53,000	25,200
Municipal Water Infrastructure Grant (MWIG)		–			
<b>Provincial Government:</b>					
	–	<b>2,200</b>	–	–	–
Provincial Treasury		2,200	–		–
DHS Unblocking	–		–		–



<b>Total Capital Transfers and Grants</b>	<b>620,504</b>	<b>602,108</b>	<b>563,391</b>	<b>367,102</b>	<b>338,148</b>

**Table 7: Final Budget – Capital Expenditure 2021/22 MTREF: Table - R 15.5 million**

<b>Chris Hani District Municipality Capital Expenditure by vote Final Budget 2021/22 MTREF</b>					
<b>Description</b>	<b>Current Year 2020/21</b>		<b>2021/22 Medium Term Revenue &amp; Expenditure Framework</b>		
	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Budget Year 2021/22</b>	<b>Budget Year 2022/23</b>	<b>Budget Year 2023/24</b>
<b>R thousand</b>					
<b><u>Capital expenditure -vote</u></b>					
<b><u>Multi-year expenditure to be appropriated</u></b>					
<b><u>Vote 7 - Technical Services</u></b>	620,504	599,408	563,391	367,102	338,148
<b><u>Capital multi-year expenditure sub-total</u></b>	<b>620,504</b>	<b>599,408</b>	<b>563,391</b>	<b>367,102</b>	<b>338,148</b>
<b><u>Single-year expenditure to be appropriated</u></b>					
<b>Vote 1 - Council</b>					
<b>Vote 2 - Municipal manager</b>					





Vote 3 - Budget & Treasury	-	2,100	500	1,560	1,622
Vote 4 - Community Services					
Vote 5 - Corporate Services	-	16,093	-	-	-
Vote 6 - Planning & Development	-	9,122	15,000		
Vote 7 - Technical Services	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	-	<b>27,314</b>	<b>15,500</b>	<b>1,560</b>	<b>1,622</b>
<b>Total Capital expenditure-vote</b>	<b>620,504</b>	<b>626,722</b>	<b>578,891</b>	<b>368,662</b>	<b>339,771</b>

The table above reflects the total capital expenditure for 2021/22 MTREF, which represent a decrease in capital expenditure resulting from the decrease in conditional grants for infrastructure projects.

#### **Financial Implications**

As per the report.

#### **Other parties consulted:**

CHDM Management, LM's IDP/Strategic Managers

COGTA-EC, Eastern Cape Dept of Treasury & National Treasury



**Resolutions:**

**It was resolved that:**

- 1) Council **note** and **adopt** the CHDM 2021-2022 Final IDP Review.
- 2) Council **approve** the final budget for 2021/2022 MTREF.
- 3) Council **consider** the final operating and capital budget for 2021/2022 to 2023/2024 MTREF for **approval** as reflected in table A1;
- 4) The operating expenditure of R 1.141 billion and operating revenue of R 1.200 billion be **approved** by Council as reflected in Table A4;
- 5) The capital expenditure of R 578.8 million and capital revenue of R 563.3 million be **approved** by Council as reflected in Table A5;
- 6) Council **approve** the municipality's annual budget appropriated by municipal votes for single and multi-year as reflected in Table A2, A3 and A5A;
- 7) Council **approve** the 4 % tariff increase for water, sanitation and municipal health tariffs; and

**This is certified as a true copy of the original.**

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**MR. G. MASHIYI**  
**MUNICIPAL MANAGER**