

CHRIS HANI DEVELOPMENT AGENCY

FINAL BUDGET

2018/19-2020/21

MTREF



Purpose

The purpose of this document is to submit the final budget for 2018/19-2020/21 Medium Term Revenue and Expenditure Framework of Chris Hani Development Agency to the board 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:

The final budget had been compiled within the framework of the Municipal Finance Management Act (MFMA), MFMA Circular 89 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

Developing CHDA final budget for 2018/19-2020/21 incremental budget method has been used in determining operational budget but also we have looked and review areas that we are not going to spend as previous year and budgeted for them realistically. The requirement of Circular 89 issued by National Treasury as guide in the compilation of the 2018/19 Medium Term Revenue and Expenditure Framework

(MTREF) has also been taken into consideration. In terms of the National Treasury Budget Circular the forecast are as follows

2018/19-5.2%

2019/20-5.5 %

2020/21 – 5.5 %

Revenue Budget

The total revenue budget is **R 53 380 315.00** comprising of Operational Revenue Budget Amounting to **R 22 739 685.00** and Project Budget Revenue amounting to **R 30 640 630.00**. The agency is still grant dependent as 90% percent of its operational income is the subsidy from the parent municipality. Project income constitute 57 % of the total income of R 53.3 million as made up of programs from CHDM and other external funders.

Expenditure Budget

The expenditure budget is **R 54 994 120.00** comprising of R 24 353 490.00 as operating expenditure and the Project Expenditure budget is R 30 640 630.00. Total operating expenditure is R 24.3 million which is over and above the operational income by R 1.6 million which makes the final budget to have deficit. This is due to accumulated depreciation which the agency is unable to cash back due to budget constraints. Employee related cost are the major expenditure driver of the operational budget. Although there is no indication of the wage increase circular 89 has given an indicative salary increase of 6.2% to be used while awaiting the finalisation of the Salary and Wage Agreement for 2018/19 financial year but as the agency we have used 7% salary increment as per the SALGBC proposal to be finalised on the 18th May 2018. Salaries budget constitute 27% of the total budget.

Below is the detail of revenue and expenditure budget

Income

		FINAL REVENUE BUDGET 2018/19-2020/21 MTREF		
Source	Revised Budget 2017/18	2018/19	2019/20	2020/20
CHDM Subsidy	-20 680 000.00	- 20 680 000	- 21 817 400	- 23 017 357
Interest	-538 327.00	- 566 320	- 597 468	- 630 328
Agency Fees	-1 405 290.00	- 1 478 365	- 1 800 000	- 2 000 000
Tender Fees	-2 305.00	- 15 000	- 15 825	- 16 695
Project Funds	-32 597 326.00	- 30 640 630	- 8 850 680	- 9 337 467
	- 55 223 248	- 53 380 315	- 33 081 372	- 35 001 848

Expenditure

		FINAL REVENUE BUDGET 2018/19-2020/21 MTREF		
Source	Revised Budget	2018/19	2019/20	2020/20
Project Expenditure	32 597 326.00	30 640 630.00	8 850 679.85	9 337 467.24

Operational Expenditure	22 389 895	24 353 490	25 347 071	26 900 448
<i>Programmes</i>	494 805	500 000	527 500	556 513
<i>General Expenses</i>	6 561 748	6 564 136	6 957 235	7 339 883
<i>Depreciation</i>		1 620 000	1 709 100	1 803 101
<i>Repairs and Maintenance</i>	19 862	60 168	63 478	66 969
<i>Asset Finance Reserve</i>	1 999 952	652 550	160 940	169 791
<i>Employee Related Costs</i>	13 313 528	14 956 637	15 928 818	16 964 191
Total Expenditure	54 987 221	54 994 120	34 197 750	36 237 915
Surplus or Deficit	-236 027.50	1 613 805.09	1 116 377.90	1 236 066.86

Project Funds

The total project budget amount to R 30.6 million for external programs that CHDA has agreements with external funders/CHDM. Below is the detail of programs which makes the total project budget of 30.6 million.

	Revised Budget 2017/18	201819	201920	202021
DRDAR-Management of Irrigation Schemes	3 536 754.00	2 889 270.00	3 048 179.85	3 215 829.74
CHDM - Irrigation Schemes and Mechanisation Centre	4 035 088.00	3 000 000.00	3 165 000.00	3 339 075.00
CHDM - Bursary Fund	2 425 484.00	2 500 000.00	2 637 500.00	2 782 562.50
DEA - Lukhanji Waste Project	19 900 000.00	21 591 360.00		-
CETA-Learnership and Internship	2 700 000.00	660 000.00	-	-
	32 597 326.00	30 640 630.00	8 850 679.85	9 337 467.24

From the above list two of the programs are funded by Chris Hani District Municipality amounting to R 5.5 million as follows

	Revised Budget 2017/18	201819	201920	202021
CHDM - Irrigation Schemes and Mechanisation Centre	4 035 088.00	3 000 000.00	3 165 000.00	3 339 075.00
CHDM - Bursary Fund	2 425 484.00	2 500 000.00	2 637 500.00	2 782 562.50
	6 460 572.00	5 500 000.00	5 802 500.00	6 121 637.50

CHDA in total is asking for funding amounting to R 26.1 million from CHDM as follows

1. Operational budget -R 20 680 000
2. Bursary Fund – R2 500 000.00
3. CHDM Irrigation Schemes and Mechanisation Centre – R 3 000 000.00

All the above have been discussed and agreed upon during the draft budget process with parent municipality and the budget has been included in the parent municipality budget

Recommendations:

- It is recommended that the board approves the CHDA final budget to R 54 994 120.00 for the 2018/19-2021/22 MTREF