

## CHDA BUDGET ADJUSTMENT 201819-2021

### **Purpose:**

To submit to the council Chris Hani Development Agency Adjusted Budget for 2018/2019 financial year and request the approval of the adjusted budget by council.

### **Authority:**

Chris Hani Development Agency

Chris Hani District Municipality

### **Legislative framework**

MFMA Section 88 (1)

### **Midyear budget and performance assessment.—**

- (1) The accounting officer of a municipal entity must by 20 January of each year—
  - (a) Assess the performance of the entity during the first half of the financial year, taking into account—
    - (i) The monthly statements referred to in [section 87](#) for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality; and
    - (ii) The entity's annual report for the past year, and progress on resolving problems identified in the annual report; and
  - (b) Submit a report on such assessment to—
    - (i) the board of directors of the entity; and
    - (ii) the parent municipality of the entity
2. The report referred to in subsection (1) must be made public

### **Background:**

CHDA 201819-2020/21 MTREF was prepared, submitted and approved by all the governance structures in May 2017. The total approved budget was R 53 380 315.00 and it had a deficit amounting R 1.6 million. To date we have received 42 % of that budget and spent 46%. The reason we have spent more is due to roll overs and other expenditure items which have spent its budget fully in the first two quarters of the financial year, see the summary below

## Budget vs. Actual

Source	Original Budget	Year to date Movement	Available Budget	Percentage Decrease or increase
CHDM Subsidy	- 20 680 000	- 8 581 900	- 12 098 100	41%
Interest	- 566 320	- 221 195	- 345 125	39%
Agency Fees	- 1 478 365	-	- 1 478 365	0%
Other Income	-	- 14 939	14 939	0%
Tender Fees	- 15 000	- 19 000	4 000	127%
Donations Received	-	- 22 500	22 500	0%
Mechanisation Centre Income	-	- 532 239	532 239	0%
Project Funds	- 30 640 630	- 12 846 337	- 17 794 293	42%
	<b>- 53 380 315</b>	<b>- 22 238 110</b>	<b>- 31 142 205</b>	<b>42%</b>

Source	Original Budget	Year to date Movement	Available Budget	Percentage Decrease or increase
<b>Project Expenditure</b>	<b>30 640 630</b>	<b>12 846 337</b>	<b>17 794 293</b>	<b>42%</b>
<b>Operational Expenditure</b>	<b>24 353 490</b>	<b>12 495 881</b>	<b>11 857 609</b>	<b>51%</b>
<i>Programmes</i>	<i>500 000</i>	<i>203 120</i>	<i>296 880</i>	<i>41%</i>
<i>General Expenses</i>	<i>6 564 136</i>	<i>3 566 622</i>	<i>2 997 514</i>	<i>54%</i>
<i>Repairs and Maintainance</i>	<i>60 168</i>	<i>16 390</i>	<i>43 778</i>	<i>27%</i>
<i>Depreciation or Armotisaion</i>	<i>1 620 000</i>	<i>792 161</i>	<i>827 839</i>	<i>49%</i>
<i>Asset Finance Reserve</i>	<i>652 550</i>	<i>75 298</i>	<i>577 251</i>	<i>12%</i>
<i>Employee Related Costs</i>	<i>14 956 637</i>	<i>7 842 290</i>	<i>7 114 347</i>	<i>52%</i>
<b>Total Expenditure</b>	<b>54 994 120</b>	<b>25 342 218</b>	<b>29 651 902</b>	<b>46%</b>
Deficit/Surplus	1 613 805.06	3 104 107.86	-1 490 302.79	

The agency has received 42% of its budget and spent 46% of the budget. The movement in the project funds is commendable in the current financial year compared to the previous years. Overall the budget although we have spent 46% there is quiet an improvement in expenditure especial on the project side.

## **Comments on variances**

### **Income**

**Agency Fees:** There is a need for the agency fees to be adjusted as we have anticipated to received agency fees from the DEA project but as per the agreement with DEA fees received are used for the administration of the project therefore they need to be added back to the project.

**Other Income:** This is a new line item accommodating amongst other income we receive from insurance claims and any other income not accommodated in the budget.

**Mechanisation Income:** In the process of making the mechanisation centre operational the agency has developed and implemented a plan that is mostly focused on revenue generation and that has yielded results that the agency has collected R 532 239.00 in the past 6 months. This was not accommodated in the original budget.

### **Expenditure**

Under expenditure there is not much of under/over expenditure except in 2 areas

**Repairs and Maintenance:** CHDAs asset are fairly new therefore is not much of maintenance that need to be done on them. The budget will revised down

**Asset Finance Reserve:** Procurement of certain assets has been put on hold due to budget constraints. They will be planned in the next financial year budget

**General Expenses:** The over expenditure is due to items like audit fees, Staff Training and Development and Board training which were planned to spend most of their budget in the first two quarter of the financial year

## Exposition of facts

After taking all the above into consideration and other additional program approved during the financial year by the funders, management decided to prepare adjustment budget and submit motivation to the committee for adjustment budget .The original budget has increased with 15 % from 54.9 million to 61.4 million. This increase is mainly influenced by the 26% increase of the project funds due to program funds rolled over and additional projects received during the financial year. On the other hand operational budget has decreased by 5 % to try and reduce the deficit of the original budget and further tighten cost containment measures. This exercise has reduced the deficit from 1 613 805.06 to R 514 794.34

Below is the summary of the revised budget

## Income

Source	Original Budget	Year to date Movement	Available Budget	Revised Budget	Difference	Percentage Decrease or	Reasons for Variance
CHDM Subsidy	- 20 680 000	- 8 581 900	- 12 098 100	- 20 680 000.00	0	0%	No Movement
Interest	- 566 320	- 221 195	- 345 125	- 566 320.00	-	0%	No Movement
Agency Fees	- 1 478 365	-	- 1 478 365	- 500 000.00	- 978 365.08	66%	DEA fees are also ploughed back to the project therefore we have keep them under project therefore the anticipated agency fees from the DEA project will not be realised.
Other Income	-	- 14 939	14 939	- 30 000.00	30 000.00		New
Tender Fees	- 15 000	- 19 000	4 000	- 25 000.00	10 000.00	-67%	Dea project tenders were splitted to accommodate more SMMEs in the projects therefore more tenders were issued
Donations Received	-	- 22 500	22 500	- 30 000.00	30 000.00		New
Mechanisation Centre In	-	- 532 239	532 239	- 1 000 000.00	1 000 000.00		The agency through operazon of the Mechinasation centre is able to realise income in the centre
Project Funds	- 30 640 630	- 12 846 337	- 17 794 293	- 38 631 942.00	7 991 312.00	-26%	Increase is due to roll overs and 2 additional programs
	<b>- 53 380 315</b>	<b>- 22 238 110</b>	<b>- 31 142 205</b>	<b>- 61 463 262</b>	<b>8 082 947</b>	<b>-15%</b>	

## Expenditure

Source	Original Budget	Year to date Movement	Available Budget	Revised Budget	Difference	Percentage Decrease	Reasons for Variance
<b>Project Expenditure</b>	<b>30 640 630</b>	<b>12 846 337</b>	<b>17 794 293</b>	<b>38 631 942.00</b>	<b>7 991 312.00</b>	<b>26%</b>	
<b>Operational Expenditure</b>	<b>24 353 490</b>	<b>12 495 881</b>	<b>11 857 609</b>	<b>23 346 114</b>	<b>- 1 007 375.80</b>	<b>-4%</b>	
<i>Programmes</i>	<i>500 000</i>	<i>203 120</i>	<i>296 880</i>	<i>640 000.00</i>	<i>140 000.00</i>	<i>28%</i>	<i>Skills development had a short fall increased budget to accommodate students doing apprenticeship</i>
<i>General Expenses</i>	<i>6 564 136</i>	<i>3 566 622</i>	<i>2 997 514</i>	<i>6 435 794.82</i>	<i>- 128 340.77</i>	<i>-2%</i>	<i>Cost influenced by Internal Audit and Security Cost which were underprovided</i>
<i>Repairs and Maintenance</i>	<i>60 168</i>	<i>16 390</i>	<i>43 778</i>	<i>59 117.01</i>	<i>- 1 051.29</i>	<i>-2%</i>	<i>There is not much to repair as the assets of the agency are fairly new</i>
<i>Depreciation or Amortisation</i>	<i>1 620 000</i>	<i>792 161</i>	<i>827 839</i>	<i>1 620 000.00</i>	<i>-</i>	<i>0%</i>	<i>This was factually calculated therefore there was no need to adjust</i>
<i>Asset Finance Reserve</i>	<i>652 550</i>	<i>75 298</i>	<i>577 251</i>	<i>150 000.00</i>	<i>- 502 549.50</i>	<i>-77%</i>	<i>Reduced trying to contain costs. New assets will be procured in July</i>
<i>Employee Related Costs</i>	<i>14 956 637</i>	<i>7 842 290</i>	<i>7 114 347</i>	<i>14 441 202.51</i>	<i>- 515 434.24</i>	<i>-3%</i>	<i>Budget decrease due to vacancy of 2 senior positions and changes made in the organogram to get away with the position of the manager agro processing</i>
<b>Total Expenditure</b>	<b>54 994 120</b>	<b>25 342 218</b>	<b>29 651 902</b>	<b>61 978 056.34</b>			
Deficit/Surplus	1 613 805.06	3 104 107.86	-1 490 302.79	514 794.34	8 082 946.92	-15%	-

Detail of programs contributed to the 26% amounting to R 8 991312.00 on projects are detailed as follows:

### Roll Overs

Project Name	Amount
CHDM - Bursary Administration Grant	660 642.00
CHDM - Inv Promo/SMME Development Grant	511 439.00
DRDAR-Management of Irrigation Schemes	924 978.00
DEA - Lukhanji Waste EPIP Grant	1 644 253.00
	<b>3 741 312.00</b>

## New Projects

Project Name	Amount
CHDM - Livestock Improvement Grant	2 600 000.00
Mechanization Centre Operating Income	1 000 000.00
CETA-Learner ship and Internship and Bursary Program	1 650 000.00
	5 250 000.00

## Recommendations:

It is recommended that:

- The council approves Chris Hani Development Agency Board adjusted budget for 201819 financial year amounting to R 61 463 262.00