MKHAMBATHINI

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MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

DRAFT ANNUAL BUDGET FOR 2021/2022 FINANCIAL YEAR

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Mayor's Report

SPEECH BY THE MAYOR OF MKHAMBATHINI MUNICIPALITY

CLLR. E. NGCONGO PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF THE TABLING OF DRAFT ANNUAL BUDGET FOR 2021/2022 FINANCIAL YEAR VIA THE VIRTUAL PLATFORM,

ON THURSDAY, 31 MARCH 2021

Speaker of the Council,

Deputy Mayor,

Executive Committee Members,

Councillors,

Traditional leaders,

Municipal Manager,

All Senior Managers,

Chief Financial Officer,

All Staff members present,

Members of the media if any are present and Public,

Distinguish guest, Ladies and Gentlemen.

Greetings to all

Chairperson, Mr Speaker, I would like to greet you and all members of the council and officials, and I hereby present Draft Annual Budget for 2021/2022 financial year as outlined in the Municipal Finance Management Act. (MFMA, Section 28 of MFMA in relation to the tabling of Budget).

I would like to highlight the following items:

DESCRIPTION	**ANNUAL BUDGET**
Operating Expenditure	148 572 000.00
Capital Expenditure	30 407 268.20
Total Budget	**R 178 979 268.20**

Honourable Speaker and Councillors, this report reflects the wishes and aspirations of the people of Mkhambathini Municipality and it is aligned with the priorities set by Treasury and it is in line with the Mkhambathini Municipality SDBIP and IDP priorities which according to my administration's point of view should be implemented at a Local Level after considering the needs of the Community, therefore I recommend that the Municipal Council approves the adjustment budget and the revised Service Delivery and Budget Implementation Plan.

I would like to grant council members a chance to investigate the content and more details are contained in the attached reports.

As I conclude Speaker, as you are aware, the Country is experiencing harsh economic times and is experiencing a severe drought. As a result of this, food prices and other essential commodities are rising rapidly. This prompted National and Provincial Government to introduce cost cutting and saving measures to deliver services and sacrifice effectively including the. As the result of this funding to Local Government has been being reduced. Grant funding has been reduced and affects, Equitable Share and MIG. The effect of Governments austerity measures has placed the Municipal budget under pressure and the Municipality has also embarked on cost saving measures and introduced them in this budget. Prudent Financial Management and constant monitoring of the budget must take place during the year and throughout the year in monitoring.

And I would like council members to have in mind the need to provide quality services to our community when considering Adjustment Budget, I thank you for this wonderful opportunity granted to me to present this report to the Council of Mkhambathini Municipality

I thank you.

RESOLUTION

On the 31st March 2021, the Council of Mkhambathini Local Municipality met in the Council Chambers of Mkhambathini Local Municipality to adopt the 2020/2021 Draft Annual Budget. The council approved and adopted the following resolutions:

The Council of Mkhambathini Local Municipality, acting in terms of section 28 (1) of the Municipal Finance Management Act (Act 56 of 2003) approves and adopt:

- Draft Annual Budget
- Budget related Policies
- Service delivery standard

Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The Municipality has embarked on implementing a revenue collection strategy to optimize the collection of debt owed by ratepayers. In addition to supplementing the declining revenue base, and reduction in grant funding the Municipality has introduced a refuse tariff to areas within the Municipality which refuse is being collected. The tariff which is being introduced will be reviewed during the course of the year to ensure that it is cost reflective and sustainable, however this is still a challenge as the service is only be carried out in the urban area of Camperdown.

The main challenges experienced during the compilation of the 2021/22 Draft Annual Budget ,can be summarised as follows:

- The ongoing difficulties in the national and local economy.
- The COVID19 pandemic
- Aging and poorly maintained roads infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and limited cash position of the municipality
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.
- The implementation of a sustainable refuse tariff

FINANCIAL AND SERVICE DELIVERY IMPLICATIONS OF THE DRAFT BUDGET

Grants

The Municipality has the following allocations for 2021/2022:

GRANT	**DRAFT ANNUAL BUDGET “R”**
EQUITABLE SHARE	**70 470 000.00**
INTEGRETED NATIONAL ELECTRIFICATION PROGRAMME	**18 110 000.00**
FINANCE MANAGEMENT GRANT	**2 850 000.00**
EPWP	**1 329 000.00**
PROVINCIALISATION OF LIBRARIES	**935 000.00**
COMMUNITY LIBRARY SERVICES GRANT	**975 000.00**

MIG	**24 755 000.00**

Operating Expenditure

Description	**DRAFT ANNUAL BUDGET "R"**
Salaries and Allowances	47 728 294.77
Remuneration of Councillors	R 6 692 616.00
Other expenditure	R 79 691 930.26
Repairs and maintenance	R 33 519 500.00

Capital Expenditure

	DRAFT ANNUAL BUDGET
Capital Budget	R 30 407 268.20

Capital Activities:

MIG PROJECTS 2021-22 FY

Name of Project	Ward	Estimated Budget
Jilafohla Access Road	7	9 000 000.00
Renovation of Maqongqo Sports field	1	5 161 031.20
Upgrade of Banqobile Sports Field	5	8 000 000.00
Makhokhoba Access Road	3	6 541 237.00
Total		**28 702 268.20**

Other Capital Projects

Councillors Laptops	340 000
New Computers and Printers	215 000
Municipal Vehicles	800 000
Total	**1 705 000**

FUNDING COMPONENT

MIG ALLOCATION	R24 755 000.00
Internal Fund	R 5 652 268.20
Total	**R 30 407 268.20**

PROVISION OF BASIC SERVICES

The municipality generated more revenue than was anticipated from the building plan fees hence it was adjusted upwards. However there downwards adjustment from the revenue that was anticipated to the received from community services operation.

Waste Removal

Refuse removal increase by 3.9%.

Free Basic Electricity

Free Basic Electricity allocation increase by 3.9% but the municipality still in the process to verification list and updating the Indigent register.

DRAFT ANNUAL BUDGET TABLES

Annexure A attached

ADJUSTMENT BUDGET CHANGES

Operational Draft Annual Budget

The municipality manage to implement the cost cutting measure in order to make sure that our Draft Annual budget is the is funded and we also cut the most budget for program because we did not do any program for past 12 month due to COVID 19.

PART 2 SUPPORTING DOCUMENTATION

DRAFT ANNUAL BUDGET ASSUMPTIONS

In the compilation of the MTREF, the following influencing factors were considered:

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been considered in compiling Mkhambathini Local Municipality adjustment budget.

Mkhambathini Local Municipality expenditure framework for the 2021/22 Draft Annual Budget is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA.
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made

Salaries were adjusted using the following assumptions:

Employee related costs

There were have budgeted 7% increase for this financial year. The salary budget is in line with the Organogram and we also provide budget for vacant post .

Organogram with vacant posts expected to be filled within 2021/2022 Financial year

The vacant posts employer contribution was calculated using:

UIF = 1% of salary limit 148.72

SDL = 1% of Salary

Pension and Provident fund maximum option = 13.65% salary

DEBT IMPAIRMENTS

Debt impairment was budgeted for using gross debtors balance since there municipality debtors' balance is increasing drastically over the years and the municipality only collects 85% as per the collection rate. This alone is an indication for impairments.

The municipality opted for this rate because there are ongoing engagements with government departments to settle their debts, the engagements have been fruitful. The municipality will be implementing a recently developed debt collection strategy and anticipate a positive spinoff in the collection of outstanding debtors.

DEPRECIATION AND ASSETS IMPAIRMENTS

The Municipality will submit Fixed Asset Register with the Final Budget

The municipality ran depreciation report for 2020/21 financial year with assets already in the FAR

Disaster Management materials

Cleaning materials

Solid Waste Materials

Public spaces and parks materials

Repairs and Maintenance materials

Contracted services

The municipality has also included the COVID 19 expenditure

The municipality will ensure that contract register is submitted.

Contracted Services.

The Municipality has provide budget that also cover the development of small local businesses

Other Expenditure:

General expenditure was budgeted for using zero based budgeting where every department function is reviewed comprehensively and each expenditure must be approved, rather than increased.

It requires the budget request to be justified in complete detail by each department rather than just increasing its expenditure from the previous year

In this line item we also include the expenditure for COVID 19 PPE

CASH FLOW

Receipt

Property rates

The average collection rate is 80% therefore the property rate and service charges collection are budgeted for using 11% collection rate.

Other revenue

Other revenue are cash transactions from the figure in table A4.

All cash transactions (excluding depreciation and debt impairment) has been included with the assumption 100% of cash transactions will be paid including capital expenditure.

Repayment of Borrowings:

No borrowings

DRAFT ANNUAL BUDGET FUNDING

Property Rates and Grants

Property rates was not adjusted and the grants anticipated to be received remained the same.

Interest on outstanding Debtors.

The municipality took a decision not to charge interest on outstanding debtors there fore there will be revenue that will be receive from outstanding debtors

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Capital projects were added on the SDBIP:

FUNDING POSITION OF THE BUDGET (TABLE B8)

UNSPENT GRANTS:

The municipality anticipate to full spend the 2021/22 allocations.

The unspent grants amounting to R 444 068.00 this is still an issue regarding the housing project in ward

Other Provisions

Total provisions amount to R 4 5158 000 for employees benefit obligation

SUPPORTING DOCUMENTS

Annexure A (Draft Annual Budget A schedule

Annexure B (Service delivery standard)

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Municipal Manager's Quality Certificate

OFFICE OF THE MUNICIPAL MANAGER

QUALITY CERTIFICATE

I, Mr. S Mngwengwe, Municipal Manager of Mkhambathini Local Municipality, hereby certify that the Draft Annual Budget and SDBIP with the supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and the budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Mr. S Mngwengwe

Municipal Manager of Mkhambathini Local Municipality KZ226

Signature: Mngwengwe

Date 31 March 2021