

NAMAKHOI MUNICIPALITY

MAYOR'S REPORT TO THE MUNICIPAL COUNCIL MEETING OF 10 APRIL 2014 ON THE PREPARATION OF THE BUDGET FOR THE 2014/15 MUNICIPAL FINANCIAL YEAR

Chapter 4 of the Municipal Finance Management Act, Act No. 56 of 2003, set out the process of municipal budgets.

Section 21(1)(b) of the Act on the budget preparation process states that, "The mayor must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining the key deadlines" for the relevant process for the preparation, tabling and approval of the annual budget and other related processes.

Section 16 (2) on annual budgets also states that "In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year."

Section 27 (1) on non-compliance with provisions of the chapter on municipal budgets also requires that, "The mayor of a municipality must, upon becoming aware of any impending non-compliance by the municipality of any provisions of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for finance in the province, in writing, of such impending non-compliance."

Due to the fact the municipal council was not functional for a period of more than a year there was non-compliance with the relevant sections as indicated in the second and third paragraphs of this short report. The relevant action is as provided for in section 27(1) in regard to non-compliance was followed and a letter was sent to the MEC with the required schedule attached to it.


The process of preparing a draft budget suitable for tabling at today's council meeting was started on 27 March 2014 and was therefore prepared in a very short space of time. The understanding should be that the draft budget tabled here today is only a working document for publication, consultation and approval as is set out in sections 22, 23 and 24 of the Municipal Finance Management Act.

During interactions with the administration on the budget process it also became clear that the municipality is experiencing a serious debt situation which can even compromise the financial sustainability of the institution. With regard to personnel expenditure it was also established that the municipality is seriously overspending on its personnel budget due to appointments of staff in positions not budgeted for and posts that do not appear on the approved organisational structure.

We therefore want to make the following recommendations to council to assist us to address these challenges:

- (a) That the accounting officer should draft a debt redemption strategy to be tabled and approved by council and provided for in the final budget to address the debt situation.
- (b) That the accounting officer should start a process of the revision of the approved organisational structure to develop a more cost effective and functional structure for tabling to and approval by council.

We hereby table the draft budget for the 2014/15 financial to council in terms of sections 16(2) and 27(1) of the Municipal Finance Management Act, Act No. 56 Of 2003.



J.F. van Wyk - Mayor