



CITY OF MUTARE



REPORT ON PROPOSED 2021 SUPPLEMENTARY TARRIF AND 2022 BUDGET PROPOSAL

INTRODUCTION

In keeping the national blueprint NDS1, council continues to target improvements in services delivery for the betterment of Mutare Society. The provision of devolution funds compliments our improving revenue collection and as a result we have registered better service delivery across all sections within the city council. Recapitalization remained our main thrust in 2021 and in this respect we have done exceptionally well as compared to prior years. The City council is playing its role is supporting government efforts aimed at achieving NDS1 goals through:

- 1- Sustained economic growth
- 2- Low inflation
- 3- Stable exchange rates
- 4- Increased forex reserves
- 5- Infrastructure development
- 6- Job creation
- 7- Value addition & beneficiation
- 8- Financial discipline

Mutare city council was allocated \$723,169,200 in devolution grants for the year 2022 and its divided into two main allocations ie :

- | | |
|---------------------|---------------|
| - Operational grant | \$49,873,700 |
| - Capital grant | \$673,295,500 |

We should consult on the possible projects to be funded under the grant and as was directed by the parliamentary portfolio committee on local government we are expected to separately consult residents on the use of these funds.

EXTERNAL AUDIT PROGRESS

We have accounts audited up-to 2019 and we now have 2020 still outstanding. We have managed to clear the audit backlog since we now have the draft accounts in place and we have engaged the Auditor General who is committed with other audits until November 2021. We expect our 2020 audit to start early November and to conclude before end of 2021.

We have increased trainings in order to improve on weak areas as indicated in audit reports. Detailed audit observations are part of our presentations. We are implementing capacity building initiatives in order to strengthen our staff in the discharge of duties. A tax health check (tax compliance audit) is currently in progress and should be completed before end of 2021. This is expected to inform on further training requirements.

We also engaged Manicaland state university to also train our employees especially to correct weaknesses observed in external and internal audit reports.

- In 2021 we conducted trainings according to council approved roadmap for full adoption of IPSAS standards
- We also trained salaries staff on payroll
- We trained our staff on financial modelling in excel and significant improvements are notable in staff member's work output and turnaround time for reports has improved.

BUDGET COMMITTEE TRAINING, DETAILED BUDGET PERFORMANCE REVIEW & INPUT INTO BUDGET PROPOSALS.

We gave the budget committee first induction training and the committee should move into action. The committee should consider 2021 budget performance review report and receive extra trainings on valuation roll, cost recovery tariff to inform new 2022 projections.

PROPOSED CONSULTATION CALENDAR

DATE	GROUP	
11 Oct 2021	Management adoption of proposals	TC's office
13 Oct 2021		
14 Oct 2021		
15 Oct 2021	Special Council on budget	Chamber
16 Oct 2021	Budget Workshop	NYANGA
17 Oct 2021	Consultation with Budget Committee	NYANGA
19 Oct 2021	Budget Committee tariff proposals	Chamber
20 Oct 2021	First Advert- employees rep	Chamber
21 Oct 2021	Second Advert- Lease tenants	Chamber
25 Oct 2021	- CZI & ZNCC, (wards) First Advert	TBA
26 Oct 2021	- SMEs(Mutasa RDC) (wards	TBA
27 Oct 2021	- Education (wards) Second Advert	TBA
28 Oct 2021	- High density & Low Density (wards	TBA
29 Oct 2021	- Residents Association (wards	TBA
30 Oct 2021	- Vendors & Markets (wards	TBA
08 Nov 2021	- Full council adoption	Chamber
15 Nov 2021	- Submission	HARARE

DEVOLUTION FUNDED PROJECTS PROPOSALS

<u>PROPOSAL</u>	<u>DEPARTMENT</u>	<u>PROGRAM</u>	<u>AMOUNT</u>
Sakubva Stadium	Housing	Social services	\$162,914,895
Roads & Public Lighting	Technical	Roads & Public safety & Security	\$59,759,955
Water supply- Reticulation & Transmission	Technical	Water, Sanitation & Hygiene	\$59,759,955
Odzani WTP major repairs	Technical	Water, Sanitation & Hygiene	\$23,903,982
NRW reduction	Technical	Water, Sanitation & Hygiene	\$35,855,973
Waste water repair & upgrades	Technical	Water, Sanitation & Hygiene	\$59,759,955
Hobhouse New clinic	Health	Social Services	\$195,750,000
MIDH	Health	Social Services	\$39,150,000
Landfill	Health	Water, Sanitation & Hygiene	\$156,600,000

- Management proposes the above projects for 2022 and residents' views will be considered during consultations.
- We propose to use the operational grant for supporting half of LADs lab project to developed water quality monitoring system, bus rank control systems, meter reading system and meter reading gadgets
- Its high time that council also starts to plan for development of Odzani water treatment plant to avert a possible disaster in the near future since indications from engineering are pointing to a serious water shortage as new suburbs come on board. Devolution is one major source of funding through which this project can be achieved.

SUPPLEMENTARY BUDGET TARIFFS JUSTIFICATION

- The increase in costs have compromised our capacity to provide services and council requires a lifeline to cover November and December of 2021. A number of projects in motion require more funding to be completed before year end.
- The following are obligations that still require additional funding before year end. The following are projects and obligations already in motion which more funding.
 - Dangamvura water project
 - One more brand new ambulance
 - 4 tonne truck for Chamber security
 - Employee salary adjustments
 - Roads rehabilitation
 - Sakubva swimming pool
 - Motor bikes for health & meter readers
 - Meter reading system and gadgets
 - Dangamvura cemetery toilet
 - Sakubva stadium
 - New fire tender & New fire Station for Dangamvura
 - Refuse trucks
 - Water bowser trucks
 - Excavator
 - Operational costs have increased substantially
- We require an additional \$417,224,917 to cover for deficits within our expenditure lines in order to cater for projects above. This extra requirement will require further adjustment of tariff
- We have seen a sustained depreciation of local currency against US\$ on the parallel market and this has led to sharp increases in prices of goods across all service providers. It is only government services and local authorities which have remained with stable tariffs but its no longer sustainable due to input costs which have increased as shown below.

COST ANALYSIS - JANUARY VS AUGUST 2021			
MAJOR COST DRIVERS	JANUARY	AUGUST	% CHANGE
WATER CHEMICALS - ALMINIUM SULPHATE/KG	84.24	166.40	98
WATER CHEMICALS -HTH GRANULAR/KG	259.00	512.00	97
WATER CHEMICALS -HYDRATED LIME/KG	32.40	64.00	97
WATER CHEMICALS - CHLORINE/LITRE	251.10	496.00	97
STATEMENT PAPER/BOX	2,366.00	3,529.00	49

EMPLOYEE COST(GRADE TWO)	5,354.39	17,000.00	217
FIRE FORM/TRUCK	1,232.01	2,737.80	122
TYRES-REFUSE TRUCKS	24,300.00	54,000.00	122
TYRES-SMALL TRUCKS	13,365.00	29,700.00	122
STANDARD ADVERT	55,420.00	64,592.00	17
DATA PER ONE GIG-ECONET	162.50	253.00	56
DATA PER ONE GIG-NETONE	300.00	500.00	67
DATA PER ONE GIG-TELONE	108.20	149.90	39

MEDICAL GAS/UNIT	305.00	690.00	126
STANDARD BASKET-FOOD(FIRE)	69,960.22	114,480.20	64
SECURITY UNIFORM/FULL SET/UNIT	47,789.00	95,578.00	100
SEWER CHEMICALS/KG	380.00	480.00	26
STADIUM MAINTENANCE-OXFERT FERTILISER/KG	45.36	95.20	110
STADIUM MAINTENANCE-MCPA WEED KILLER/ML	72.90	153.00	52
STADIUM MAINTENANCE-PINE BARK/LITRE	12.15	25.50	110
SWIMMING POOL CHEMICALS-HTH/KG	572.26	1,162.00	103
SWIMMING POOL CHEMICALS-CHLORINE/LITRE	403.90	845.25	109
STREET LIGHTS/UNIT	48,600.00	102,000.00	110
VEHICLE MAINTENANCE-PICK UP TRUCKS/VEHICLE	40,000.00	100,000.00	150
VEHICLE MAINTENANCE-REFUSE COMPACTORS/TRUCK	80,000.00	200,000.00	150
WATER ABSTRACTION CHARGES	421,120.00	2,073,811.00	392
FUEL-DIESEL/LITRE	100.91	196.56	95
FUEL-PETROL/LITRE	99.35	203.65	105
ROAD MAINTENANCE-BITUMEN/LITRE	43.50	87.00	100

ROAD MAINTENANCE-STONES/LITRE	4,920.00	6,000.00	22
ROAD MAINTENANCE-GRADER HIRE/HR	10,530.00	20,800.00	98
ROAD MAINTENANCE-TIPPER HIRE/M3	403.38	796.80	98
ELECTRICITY/MONTH	1,127,453.29	3,338,418.59	196
INSURANCE 1ST QUARTER VS 4TH QUARTER	1,904,678.79	3,183,969.43	67
BOND PAPER/REAM	348.00	650.00	87
REFUSE COMPACTOR/12M3	9,315,000.00	23,000,000.00	147
OVERAL AVERAGE PERCENTAGE CHANGE			106%

- Council's capacity to continue providing services is now compromised and employees have since given notice to declare incapacity to continue coming to work. Given this environment its no longer avoidable to request a supplementary tariff increase to support this final quarter of the year.

CONCLUSION

It is therefore proposed that we allow the budget committee to make proposals against an average inflation of 102% so far plus a further projection of an extra 55% into the year 2022 giving a total of 157%. We also propose that the agreed budget tariff increase be implemented in phases beginning November 2021 and then quarterly in year 2022.

It is overally accepted that we cannot chase the black market rate although it greatly influences levels of input costs that we incur in producing services. We need to strike a balance between affordability and sustainability.

- 1- It is therefore proposed that we present to the budget committee on cost movements and implications on tariffs and allow the committee to give input and make proposals for budget consultations.