

**CONSIDERATION AND APPROVAL OF THE ADJUSTMENT BUDGET 2021/2022
AND INDICATIVE FOR THE PROJECTED TWO OUTER YEARS 2022/2023 AND
2023/2024**

English is the original version

PURPOSE OF REPORT

This report serves to submit the 2021/2022 and indicative two outer years annual adjustment budget for approval.

BACKGROUND

Section 28 of the Municipal Finance Management Act. No 56 of 2003 states:

- (1) A municipality may revise an approved annual budget through and adjustments budget.*
- (2) An adjustments budget -
 - (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
 - (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;*
 - (e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
 - (f) may correct any errors in the annual budget;**

In accordance with section 23 (5) of the Municipal Budget and Reporting Regulation:

(5) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.

LEGAL RESPONSIBILITIES

Section 28 of the Municipal Finance Management Act, 56 of 2003 and section 23 of the Municipal Budget and Reporting Regulations.

FINANCIAL IMPLICATIONS

As contained in the detail report.

RECOMMENDATION

- 1. That Council adopts the Adjustment Budget report.**

Table of Contents

1	Part 1 – Adjustment Budget	2
	1.1 Mayor' report	2
	1.2 Budget related resolutions	3 - 4
	1.3 Executive summary	5
	1.4 Adjustment budget tables	5
2	Supporting documentation	6
	2.1 Adjustment to budget assumptions	6
	2.2 Adjustment to budget funding	6
	2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)	6
	2.4 Adjustment to transfer recognised operational and capital	6
	2.5 Adjustment to capital expenditure	6
	2.6 Municipal Manager's quality certification	6
3	Quality Certificate	7

1 Part 1 – Adjustment Budget

1.1 Mayor' report

In accordance with section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- (i) To appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.
- (ii) To authorise the utilisation of projected savings in one vote towards spending under another vote.
- (iii) To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected rollovers when the annual budget for the current year was approved by the Council.
- (iv) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- (v) To correct any errors in the annual budget.

In line with the MFMA, the 2021/22 approved Budget has now been adjusted. The adjustment has been mainly necessitated as a result of the following:

- The need to authorise the spending of unspent funds at the end of the 2020/2021 financial year.
- Approval of 2020 – 2021 unspent Infrastructure Provincial grants.

The Municipal Budget and Reporting Regulations, which were promulgated by National Treasury, prescribe the budget reporting formats for municipalities. Accordingly, this Municipality's 2021/22 Adjustments Budget has to be presented in accordance with these reporting formats.

The Adjustments Budget reaffirms the Municipality's commitment to achieve the service delivery targets and performance indicators as reflected in the approved service delivery and budget implementation plan.

The capital expenditure budget has been realigned. Due to various reasons some projects could not be completed in the 2020/2021 financial year and funds allocated must be rolled over.

The Service Delivery and Budget Implementation Plan (SDBIP) has to be adjusted due to the realignment that has taken place on both the operational and capital expenditure budgets. This will affect service delivery targets and performance targets. The reviewed SDBIP will be submitted for the approval of the Executive Mayor.

1.2 Budget related resolutions

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires the municipality to table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by Municipal Budget and Reporting Regulations

The following resolutions are put before council for consideration and approval:

THAT

- 1. The adjustments budget for the financial year 2021 – 2022 be approved as contained in Tables B1 – B10 detailed below:**
 - ❖ **Table B1 – Adjustments Budget Summary**
 - ❖ **Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)**
 - ❖ **Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)**
 - ❖ **Table B4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)**
 - ❖ **Table B5 – Adjustments Capital Expenditure by Vote, Standard classification and Funding**
 - ❖ **Table B6 – Adjustments Budgeted Financial Position**
 - ❖ **Table B7 – Adjustments Budgeted Cash Flow**
 - ❖ **Table B8 – Cash backed reserves/Accumulated surplus reconciliation**
 - ❖ **Table B9 – Asset Management**
 - ❖ **Table B10 – Basic service delivery measurement**

- 2. The SDBIP will be adjusted to reflect the adjustments made in the budget allocation and submitted for subsequent approval by the Executive Mayor.**

3. The adjustment capital budget increase from R 181 million to R 199 million due to the following changes:

Project	Town	Function	Source of Finance	Budget Roll-over
Capital - Beverly hills: reinstatement of Bos Street road surface	Grabouw	Roads and Stormwater	Borrowing	514 830
Smart Meters Replacement	Theewaterskloof	Water: Distribution	Borrowing	4 992 459
Pipe Replacement - Caledon Basil Newmark	Caledon	Water: Distribution	Borrowing	1 101 659
Caledon - Bulk outfall sewer	Caledon	Sewerage: Networks	Borrowing	2 326 495
Bulk Sewer Destiny Villiersdorp	Villiersdorp	Sewerage: Networks	Borrowing	1 950 000
Capital - Bulk Sewer Destiny Villiersdorp	Villiersdorp	Sewerage: Networks	Borrowing	850 000
Capital - WWTW upgrade	Caledon	Sewerage: Treatment Works	Borrowing	1 895 264
WWTW upgrade	Caledon	Sewerage: Treatment Works	Borrowing	245 223
Caledon - Waste Transfer Station	Caledon	Refuse Sites	Borrowing	3 824 232
Drought Relief: Ground water monitoring infrastructure requirements	Theewaterskloof	Water: Distribution	Emergency Disaster Relief Grant	112 689
Clearview Fencing (Villiersdorp taxi rank)	Villiersdorp	LED	Regional Socio Economic Projects Grant	367 400
Total Capital Roll-over				18 180 251

4. The adjustment Transfer Recognised Operational increase from R 143 million to R 144 million due to the following changes:

Project	Town	Function	Source of Finance	Budget Roll-over
Transfers Recognised - Operating - Regional socio economic projects (RSEP)	Theewaterskloof	LED	Regional Socio Economic Projects Grant	80 000
Transfers Recognised - Operating - PHP	Theewaterskloof	Human Settlements	Housing Grant	497 111
Transfers Recognised - Operating - Housing	Theewaterskloof	Human Settlements	Housing Grant	277 998
Total Transfer Recognised Operational Roll-over				855 109

5. The adjustment Transfer Recognised Capital increase from R 95 million to R 96 million due to the following changes:

Project	Town	Function	Source of Finance	Budget Roll-over
Transfers Recognised - Capital - Regional socio economic projects (RSEP)	Theewaterskloof	LED	Regional socio economic projects	112 689
Transfers Recognised - Capital - Municipal Drought Relief	Theewaterskloof	Water: Distribution	Emergency Disaster Relief Grant	367 400
Total Transfer Recognised Capital Roll-over				480 089

6. The adjustment operating expenditure budget increase from R 623 million to R 624 million due to the following changes:

Project	Town	Function	Source of Finance	Budget Roll-over
Shutter Doors (RSEP Grant)	Villiersdorp	LED	Regional Socio Economic Projects Grant	80 000
Povincial Housing Projects - Grabouw- Rooidakke 1169	Grabouw	Human Settlements	Housing Grant	497 111
Povincial Housing Projects - Riviersonderend 140 UISP	Riviersonderend	Human Settlements	Housing Grant	277 998
Total Operating Expenditure Roll-over				855 109

1.3 Executive summary

Introduction

This MTREF 2021 - 2022 adjustments budget is prepared on a multi-year basis, in line with the MFMA Municipal Budget and Reporting Regulations.

Operating Revenue Budget

The Transfer Recognised Operational has increased from R 143 million to R 144 million.

The Transfer Recognised Capital has increased from R 95 million to R 96 million.

Operating Expenditure

Operating expenditure has increased from R 623 million to R 624 million.

Capital Expenditure

The Transfer Recognised Capital has increased from R 181 million to R 199 million.

1.4 Adjustment budget tables

- ❖ Table B1 – Adjustments Budget Summary
- ❖ Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)
- ❖ Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
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- ❖ Table B10 – Basic service delivery measurement

2 Supporting Information

2.1 Adjustment to budget assumptions

The budget assumptions which informed the approved 2021/22 Budget have been maintained.

2.2 Adjustment to budget funding

The sources of funding of the municipality's budget have not changed in the current financial year. As reported the adjustments budget is mainly funded by revenue from services rendered, external loans and grant funding as set out in Division of Revenue Act (DORA) and the Provincial Gazette.

2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)

The Accounting officer will submit for approval by the Executive Mayor revised SDBIP's based on the adjustments being approved.

2.4 Adjustment to transfer recognised operational and capital

The Transfer Recognised Operational has increased from R 143 million to R 144 million.

The Transfer Recognised Capital has increased from R 95 million to R 96 million.

2.5 Adjustment to operating and capital expenditure

Operating expenditure has increased from R 623 million to R 624 million.

Capital expenditure has increased from R 181 million to R 199 million.

2.5 Municipal Manager's quality certification

The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 25 August 2021.

Quality Certificate

I, DP LUBBE, Municipal Manager of Theewaterskloof Municipality (WC031), hereby certify that the Adjustments Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments Budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name: DP Lubbe

Municipal Manager of: Theewaterskloof Municipality (WC031)

Signature:  _____

Date: 25 August 2021

Print Name: D Louw

Chief Financial Officer of: Theewaterskloof Municipality (WC031)

Signature:  _____

Date: 25 August 2021