

**CONSIDERATION AND APPROVAL OF THE ADJUSTMENT BUDGET 2022/2023  
AND INDICATIVE FOR THE PROJECTED TWO OUTER YEARS 2023/2024 AND  
2024/2025**

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*English is the original version*

**PURPOSE OF REPORT**

This report serves to submit the 2022/2023 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.**

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## **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 2022/23 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 2021/2022 financial year.

The Municipal Budget and Reporting Regulations, which were promulgated by National Treasury, prescribe the budget reporting formats for municipalities. Accordingly, this Municipality’s 2022/23 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 2021/2022 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 2022 – 2023 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 159 million to R 172 million due to the following changes:**

Project	Town	Function	Source of Finance	Budget
Upgrade of Fleet	Theewaterskloof	Fleet	Capital Replacement Reserves	R 821 606
Machinery and Equipment (CCTV Cameras)	Grabouw	Town Administration	Safety Project Grant (ODM)	R 100 000
Machinery and Equipment (Torches)	Theewaterskloof	Town Administration	Safety Project Grant (ODM)	R 35 000
Inventory - Generator	Theewaterskloof	Electricity: Distribution	Capital out of Revenue	-R 1 749 997
Furniture and Office Equipment (Upgrade)	Villiersdorp	LED	Capital out of Revenue	-R 250 000
Office Space Informal Settlements in Caledon	Caledon	Informal Settlements	Capital out of Revenue	R 230 000
Furniture and Office Equipment (New)	Caledon	Informal Settlements	Capital out of Revenue	R 20 000
<b>Total Additional Capital Changes</b>				<b>-R 793 391</b>

Project	Town	Function	Source of Finance	Budget Roll-over
Two-Way Radio Communication System	Theewaterskloof	Town Administration	Borrowing	R 1 300 000
Construction of Driving Licence Testing Centre (DLTC) - Grab	Grabouw	Motor Licensing and Testing Station	Capital out of Revenue (Insurance fund)	R 1 279 127
Grabouw Upgrade of roads , stormwater at Rooidakke (Phase 2)	Grabouw	Roads and Stormwater	Borrowing	R 203 400
Smart Meters Replacement	Theewaterskloof	Water: Distribution	Borrowing	R 5 132 854
Replace and upgrade MV and LV Networks Caledon street	Greyton/Genadendal	Electricity: Distribution	Borrowing	R 2 750 371
Caledon - Bulk outfall sewer	Caledon	Sewerage: Networks	Borrowing	R 500 000
Botrivier sewer network upgrading (septic tank eradication)	Botrivier	Sewerage: Networks	Borrowing	R 849 926
Villiersdorp- Landfill rehabilitation	Villiersdorp	Refuse Sites	Borrowing	R 527 267
Greyton landfill rehab	Greyton/Genadendal	Refuse Sites	Borrowing	R 384 720
Upgrade of Fleet	Theewaterskloof	Fleet	Borrowing	R 469 769
Capital - Grabouw Bulk Water	Grabouw	Water: Distribution	Borrowing	R 338 791
Greyton WTW Planning	Greyton/Genadendal	Water Distribution	Borrowing	R 175 046
Caledon - WWTW upgrade	Caledon	Sewerage: Networks	Borrowing	R 273 419
<b>Total Capital Roll-over</b>				<b>R 14 184 692</b>

More details on the Capital roll-over projects can be found in Annexure A.

**4. The adjustment Transfer Recognised Capital remains R 48 million due to the following change:**

Project	Town	Function	Source of Finance	Budget
Transfers Recognised - Capital - Safety Project Grant (ODM)	Theewaterskloof	Law Enforcement	Safety Project Grant (ODM)	-R 135 000
<b>Total Additional Capital</b>				<b>-R 135 000</b>

**5. The adjustment operating expenditure budget increase from R 672 million to R 673 million due to the following changes:**

<b>Item Description</b>	<b>Budget</b>
Contracted Services - Air Pollution	-R 30 000
Contracted Services - Alien Vegetation Control	-R 40 000
Contracted Services - Business and Financial Management	-R 2 273 000
Contracted Services - Electrical Contractors	R 350 000
Contracted Services - Fire Services	-R 50 000
Contracted Services - Legal Cost	-R 50 000
Contracted Services - Maintenance of Buildings	R 319 407
Contracted Services - Maintenance of Infrastru	R 532 100
Contracted Services - Maintenance of Vehicles	-R 16 500
Contracted Services - Personnel and Labour	R 177 000
Contracted Services - Security Services	R 535 000
Employee Related Cost (Director)	-R 647 410
Other Expenditure - External Computer Service	-R 600 000
Other Expenditure - Operating Leases (Machiner	-R 80 000
Other Expenditure - Sundry Hire (Machinery and Equipment)	-R 20 000
Other Expenditure - Sundry Hire Charges	-R 30 000
Other Expenditure - Travel and Subsistence	R 40 000
Other Expenditure - Uniform and Protective Clothing	-R 50 000
Other Expenditure - Vehicle Tracking	-R 80 000
Other Materials - Maintenance Materials	R 547 600
Other Materials - Printing, Publications and Books	R 12 000
Other Materials - Refreshments	R 10 000
Other Materials - Refuse Bags	R 165 500
Other Materials - Sundry Consumables	-R 539 700
Other Materials - Water Purification - Chemicals	R 245 000
Transfers and Subsidies - Severance Packages	R 3 323 000
<b>Total Operating Expenditure</b>	<b>1 749 997</b>

**1.3 Executive summary**

***Introduction***

This MTREF 2022 - 2023 adjustments budget is prepared on a multi-year basis, in line with the MFMA Municipal Budget and Reporting Regulations.

***Operating Revenue Budget***

The adjustment Transfer Recognised Capital remains R 48 million.

***Operating Expenditure***

Operating expenditure has increased from R 672 million to R 673 million.

***Capital Expenditure***

The Transfer Recognised Capital has increased from R 159 million to R 172 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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## **2 Supporting Information**

### **2.1 Adjustment to budget assumptions**

The budget assumptions which informed the approved 2022/23 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 Capital remains R 48 million.

### **2.5 Adjustment to operating and capital expenditure**

Operating expenditure has increased from R 672 million to R 673 million.

Capital expenditure has increased from R 159 million to R 172 million.

### **2.5 Municipal Manager's quality certification**

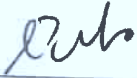
The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 25 August 2022.

## Quality Certificate

I, B Ngubo, Acting 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: B Ngubo

Acting Municipal Manager of: Theewaterskloof Municipality (WC031)

Signature: 

Date: 25 August 2022

Print Name: A Riddles

Acting Chief Financial Officer of: Theewaterskloof Municipality (WC031)

Signature: 

Date: 25 August 2022



# **Annexure A**

Project	Town	Function	Sources of Finance	Budget Roll-over	Reason for roll-over
Two-Way Radio Communication System	Theewaterskloof	Town Administration	Borrowing	R 1 300 000	The Capital for this project had been partially used in the 2021/22 book year and the project had to be stopped as the equipment had to be transported by means of water transport and it did not arrive at the port until late in June 2022. The project is halfway completed and radios must be installed at certain buildings and vehicles.
Construction of Driving Licence Testing Centre (DLTC) - Grab	Grabouw	Motor Licensing and Testing Station	Capital out of Revenue (Insurance fund)	R 1 279 127	The service provider that was initially appointed to do the planning of the Grabouw DLTC, contract expired. The planning process took longer than anticipated due to the Environmental Impact Assessment that need to be completed, before the planning could proceed and be finalized. The service provider could only do the planning up to a certain stage before the contract period expired. A new service provider were appointed in 2021/22 financial year, IX Engineers to complete the planning of the DLTC. The planning process is in process and need to be completed now.
Grabouw Upgrade of roads , stormwater at Rooidakke (Phase 2)	Grabouw	Roads and Stormwater	Borrowing	R 203 400	The construction tender closed in 2021 and technical Services compiled the technical evaluation report, however by June the SCM evaluation report had not been compiled. The tender validity had by then been extended on numerous occasions. The tender process is due to be cancelled and the tender will be re advertised for implementation in 2022/23.
Smart Meters Replacement	Theewaterskloof	Water: Distribution	Borrowing	R 5 132 854	The procurement of meters is ongoing and the eradication of all prepaid meters in all towns will be prioritised.
Replace and upgrade MV and LV Networks Caledon street	Greyton/Genadendal	Electricity: Distribution	Borrowing	R 2 750 371	The tender was cancelled by the BAC after extended validity period lapsed.
Caledon - Bulk outfall sewer	Caledon	Sewerage: Networks	Borrowing	R 500 000	The amount of R 500 000 was set aside for planning, design and tender document compilation. The tender was awarded to Element Consulting Engineers, however the award could not be formalised due to the SARS non compliant status of the firm. The award had to be retracted and a second procurement process was undertaken for the appointment of a replacement consulting engineering firm. Neil Lyners & Associates has since been appointed, however insufficient time remain in the financial year for any expenditure to be realised. The funding must be rolled over for use in 2022/23.
Botrivier sewer network upgrading (septic tank eradication)	Botrivier	Sewerage: Networks	Borrowing	R 849 926	The construction tender closed in 2021 and technical Services compiled the technical evaluation report, however by June the SCM evaluation report had not been compiled. The tender validity had by then been extended on numerous occasions. The tender process is due to be cancelled and the tender will be re advertised for implementation in 2022/23.
Villiersdorp- Landfill rehabilitation	Villiersdorp	Refuse Sites	Borrowing	R 527 267	The fence needs to be installed to ensure compliance to permit conditions and to prevent unauthorised entry. The waste body shaping also needs to be completed. This could not be completed as SCM processes took longer than planned.
Greyton landfill rehab	Greyton/Genadendal	Refuse Sites	Borrowing	R 384 720	The shaping of the waste body needs to be completed to ensure compliance to permit conditions.
Upgrade of Fleet	Theewaterskloof	Fleet	Borrowing	R 469 769	There is a need for additional vehicles pertaining to effective service delivery. Approval of the roll-over funds will enable us to purchase a motor vehicle or bakkie to enhance service delivery.
Capital - Grabouw Bulk Water	Grabouw	Water: Distribution	Borrowing	R 338 791	Available funding is required for continued implementation of the Grabouw water treatment plant pump station upgrading, a project started in 2021/22. This project was awarded late in 2021/22 and insufficient time remained for full spending of the available amount. The Grabouw bulk water upgrading will continue in 2022/23 with a new pipeline, also to be constructed, to improve the provision of bulk water in Grabouw
Greyton WTW Planning	Greyton/Genadendal	Water Distribution	Borrowing	R 175 046	Plant was relocated, funding required to cast concrete floor around the facility as well as installing retaining blocks to prevent soil erosion and land sliding under the facility.
Caledon - WWTW upgrade	Caledon	Sewerage: Networks	Borrowing	R 273 419	Phase contractor installing mechanical equipment. Funds needed for contract.
<b>Total Capital Roll-over</b>				<b>R 14 184 692</b>	