

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

English is the original version

PURPOSE OF REPORT

This report serves to submit the 2022/2023 and indicative two outer year's annual adjustment budget for approval.

BACKGROUND

Section 29 of the Municipal Finance Management Act. No 56 of 2003 states:

- (1) The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

In accordance with section 71 (1) of the Municipal Budget and Reporting Regulation:

- (1) *The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if:*
 - (a) *the expenditure could not have been foreseen at the time the annual budget of the municipality was passed*
 - (b) *the delay that will be caused pending approval of an adjustment budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure*

DISCUSSION

The National load shedding program caused the municipal Water Treatment and Waste Water Treatment infrastructure including pumps and distribution to shutdown, which in turn means no drinking water and no sanitation services for the community of Theewaterskloof municipality.

Eskom introduced stage 6 load shedding during this time which means shutdowns of up to 4 hours per load shedding slot, 3 times per day. This does not give the pumps and treatment process enough time to fill reservoirs and distribute water to the communities. The bulk drinking water supplier, Overberg Water (specific for Caledon), also falls under the same water crisis situation when load shedding occurs and is busy with their own interventions to supply water.

The expenditure from July, September up until the 11th of October 2022 for the hiring of water tankers was R 516 thousand (VAT incl.). The provisional estimated amount for the hiring of water tankers from the 17th of October 2022 until the 31st of October 2022 will amount to R 2 million (VAT incl.).

During this period the water supply was not sufficient for the sanitation services as well. This situation is continuing and is having an adverse effect on the municipality to implement its mandate to provide portable water i.t.o SANS 241.

This in turn is becoming a health risk due to the lack of water to accommodate proper sanitation services and treatment. The municipality's biggest industrial user SABM also had to decrease their production as well as other businesses due to insufficient water supply which in turn will have an extremely negative effect on our economy.

Non provision of this basic services is in contradiction of "The Constitution of the Republic of South Africa of 1996" and the Water Services Act 108 of 1998 – which states the following:

"Chapter 3 – Water Services Authority

Duty to provide access to water services

11..(1) Every water services authority has a duty to all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water services."

A quotation was obtained for the hiring and installation of four (4) generators with Change-Over Switches (to run automatically when load shedding occurs) for Caledon and Myddleton at strategic points for raw water supply, purification and distribution to consumers. A quotation was also obtained for the procurement of a 37kW Submersible Borehole pump for the conveyance of raw water supply to the Purification Plants. The one quotation was requested as there is currently a huge need for generators all over the Western Cape and is this infrastructure becoming a scarce commodity.

The expenditure at mention will be funded from various expenditure votes.

LEGAL RESPONSIBILITIES

Section 28 of the Municipal Finance Management Act, 56 of 2003 and section 23 (4) of the Municipal Budget and Reporting Regulations.

Section 29 of the Municipal Finance Management Act. No 56 of 2003.

FINANCIAL IMPLICATIONS

As contained in the detail report.

RECOMMENDATION

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

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1 Part 1 – Adjustment Budget

1.1 Mayor' report

Section 29 of the Municipal Finance Management Act. NO 56 of 2003 states:

- (1) (The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

In accordance with section 71 (1) of the Municipal Budget and Reporting Regulation:

- (1) *The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if:*
 - (a) *the expenditure could not have been foreseen at the time the annual budget of the municipality was passed;*
 - (b) *the delay that will be caused pending approval of an adjustment budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure.*

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:

- Lease / Purchase of generators, purchase of pump, security, automatic switch over changes, hiring of water tankers and diesel for generators (see Annexure A). Section 29 of the MFMA – Unforeseeable and unavoidable expenditure

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 been 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.

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 the listed 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**

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.

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)
- ❖ 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 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 own revenue and external loans.

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 Municipal Manager's quality certification

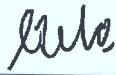
The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 27 October 2022.

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: 27 October 2022

Print Name: A Riddles

Acting Chief Financial Officer of: Theewaterskloof Municipality (WC031)

Signature: 

Date: 27 October 2022

Annexure A

Enquiries: Mr Sergio Francis

MEMORANDUM

TO : Mr K Papier – Executive Mayor
FROM : Mr Boy Ngubo – Acting Municipal Manager
DATE : 12 October 2022

**REQUEST FOR APPROVAL FOR UNFORSEEN AND UNAVOIDABLE EXPENDITURE:
LEASE OF GENERATORS, PURCHASE OF PUMP, SECURITY, AUTOMATIC SWITCH
OVER CHANGES, HIRING OF WATER TANKERS AND DIESEL FOR GENERATORS**

Dear Executive Mayor,

1. PURPOSE

To submit a report to the Mayor to approve the unforeseen and unavoidable expenditure that is required to sustain water supply in Caledon due to unforeseen pump failures and water purification plant inadequacies.

2. BACKGROUND

The National Loadshedding program caused the municipal Water Treatment and Wastewater Treatment infrastructure including pumps and distribution to shutdown, which in turn means no drinking water and no sanitation services for the consumers of TWKM.

ESKOM introduced Stage 6 Loadshedding during this time which means shutdowns of up to 4 hours per loadshedding timeslot, 3 times per day. This does not give the pumps and treatment processes enough time to fill reservoirs and distribute to communities. Our bulk drinking water supplier Overberg Water (specific for Caledon) also falls under the same water crisis when loadshedding occurs and is busy with their own interventions to supply water

The expenditure from July, September, up until 11 October 2022 for the hiring of water tanker was R516 462.38 (Incl. VAT). The provisional estimated sum for the hiring of water tankers from 17 October 2022 until 31 October 2022 amounts to R1 572 000.55 (Incl. VAT).

During this period the water supply was not sufficient for the sanitation services as well. This situation is continuing and is having an adverse effect on the Municipality to implement its mandate to provide portable water in terms of SANS 241.

This in turn is becoming a health risk due to lack of water to accommodate proper sanitation services and treatment. Our biggest industrial user SABM also had to decrease their production as well as other businesses due to insufficient water supply which in turn will have an extremely negative effect on our economy.

Non provision of this basic services is in contradiction of the "The Constitution of the Republic of South Africa of 1996" and the Water Services Act 108 of 1998 - which states the following.

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A quotation was obtained for the hiring and installation of 4 generators with Change-over Switches (to run automatically when loadshedding occurs) for Caledon and Myddleton at strategic points for raw water supply, purification and distribution to consumers. A quotation was also obtained for the procurement of a 37kW Submersible Borehole pump for the conveyance of raw water supply to the Purification Plants. We requested the one quotation as there is currently a huge need for generators all over the Western Cape and is this infrastructure becoming a scarce commodity.

3. DISCUSSION

Considering the current water situation in Caledon as well as Grabouw and the obligation of the municipality to supply water to the community, action was immediate required to fulfil its mandatory obligations. The municipality would have been under greater threat was extra support not provided.

4. LEGAL RESPONSIBILITIES

Section 29 of the MFMA allows the Mayor to authorize unforeseeable and unavoidable expenditure for which no provision was made in the approved budget provided that it is an emergency or any other exceptional circumstances.

The expenditure could not have been foreseen at the time the annual budget of the municipality was passed;

It is further stated that if the Mayor has approved any unforeseen and unavoidable expenditure, this must be reported by the Mayor to Council at its next meeting and must be appropriated in an adjustments budget which must be passed within 60 days after the expenditure was incurred.

5. FINANCIAL IMPLICATIONS

Capital Expenditure

R 457 302.50 (Incl. VAT) – Change Over Switches

R 186 350.89 (Incl. VAT) – Borehole Pump

Total Operating Expenditure

Contracted Services: Lease of Generators Caledon	632,461	2	1,264,921	1,264,921
Contracted Services: Diesel 4MEG	46,082	2	46,080	
Contracted Services: Diesel Ovies	50,874	2	101,748	351,324
Contracted Services: Diesel Baronsbos	50,874	2	101,748	
Contracted Services: Diesel Badskop	50,874	2	101,748	
Contracted Services: Security Services Caledon	686,400	2	1,372,800	1,372,800
Contracted Services: Hiring of Water Tankers	77,765	July 2022	77,765	
	104,250	September 2022	104,250	449,098
	267,083	01 - 11 October 2022	267,083	
Contracted Services: Hiring of Water Tankers	1,366,957	17 - 31 October 2022	1,366,957	
	-	November 2022 (Half month)	-	1,366,957
	-	December 2022	-	
Total Caledon				4,805,100
Contracted Services: Security Services Grabouw	1,242,000	October 2022	1,242,000	
	1,330,000	November 2022	1,330,000	2,572,000
	-	December 2022	-	
Contracted Services: Lease of Generators Grabouw	435,693	1	435,693	
	957,402	2	1,914,803	2,350,497
Contracted Services: Security TWK	817,020		817,020	4,922,497
Total TWK Security				817,020
				10,544,617

Total Capital Expenditure – R 643 653.39 (Excl. VAT)

Total Estimated Operational Expenditure – R 10 544 617.00 (Excl. VAT)

TOTAL – R 11 188 270.39 (Excl. VAT)

R12 866 510.95 (Inc. VAT)

6. RECOMMENDATION

It is recommended:

- That the Executive Mayor approve this expenditure as unforeseen and unavoidable,
- That the unforeseen and unavoidable expenditure be appropriated as an adjustment in the current budget, and
- That the Mayor report such an expenditure within 60 days to the Council.

I, D.M. DAMONS TAKE COGNISANCE OF THE NEED TO PROVIDE A BORABLE PUMP AND THE PLACEMENT OF 3 GENERATORS TO ENSURE CONTINUOUS WATER
Take cognisance: SUPPLY TO CAUDON.

Date: 18/10/22


Mr D. Damons
Deputy Director Technical and infrastructure Implementation Services

Take cognisance:

 Date: 18.10.2022

Mr W Solomons-Johannes
Director Community Services

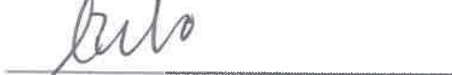
Take cognisance:



Date: 18/10/2022

Mr A Riddles
Act. CFO

Recommended by:



Date: 18/10/2022

Mr. B Ngubo
Act. Municipal Manager

Approved by:



Date: 18/10/2022

Mr K Papier
Executive Mayor