

**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**

The purpose for the adjustment budget is due to the roll-over for the unspent 2021 – 2022 Provincial grants that was approved and additional funding.

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

- (1) A municipality may revise an approved annual budget through an adjustment 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 10 of the Municipal Budget and Reporting Regulation:

- (3) (c) in the case of agency payments, public contributions, donations, donor grants or any other grants, subsidies or contributions, the relevant service level agreement, contract or other legally binding document which guarantees the funding.*

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

*(4) If a national or provincial adjustment budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national and provincial adjustments budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.*

### **LEGAL RESPONSIBILITIES**

Section 28 of the Municipal Finance Management Act, 56 of 2003 and section 23 and section 10 of the Municipal Budget and Reporting Regulations.

### **FINANCIAL IMPLICATIONS**

As contained in the detail report.

### **RECOMMENDATION**

**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 Transfer Recognised Operational increase from R 146 million to R 154 million due to the following changes:

Transfer Recognised - Operational		
Grant Name		(Increase)
Western Cape Municipal Capacity Building Grant	-R	83 567
Human Settlements Development Grant	-R	1 509 443
Community Development Workers Grant	-R	97 539
LG Public Employment Support Grant	-R	390 313
Emergency Housing Grant	-R	4 600 220
Joint District and Metro Grant	-R	1 000 000
<b>Total Transfer Recognised - Operational (Increase)</b>	<b>-R</b>	<b>7 681 082</b>

4. The adjustment Other Revenue remained R 19 million with the following changes:

Other Revenue		
Grant Name		(Increase)
HAN	-R	37 954
<b>Total Other Revenue (Increase)</b>	<b>-R</b>	<b>37 954</b>

5. The adjustment Transfer Recognised Capital increase from R 50 million to R 52 million due to the following changes:

Transfer Recognised - Capital		
Grant Name		(Increase)
Human Settlements Development Grant	-R	852 119
Library Service Grant	-R	722 784
Community Safety Grant	-R	90 000
<b>Total Transfer Recognised - Capital (Increase)</b>	<b>-R</b>	<b>1 664 903</b>

6. The adjustment operating expenditure budget increase from R 675 million to R 683 million due to the following changes:

Operating Expenditure		
Grant Name		Increase
Western Cape Municipal Capacity Building Grant	R	83 567
Human Settlements Grant	R	1 509 443
Community Development Workers Grant	R	97 539
LG Public Employment Support Grant	R	390 313
Joint District and Metro Grant	R	1 000 000
Emergency Housing Grant	R	4 600 220
HAN	R	37 954
<b>Operating Expenditure Increase</b>	<b>R</b>	<b>7 719 036</b>

A detailed report on the operating expenditure is provided in Annexure A.

**7. The adjustment capital budget decrease from R 170 million to R 172 million due to the following changes:**

<b>Capital Expenditure</b>	
<b>Grant Name</b>	<b>Increase</b>
Human Settlements Grant	R 852 119
Library Service Grant	R 722 784
Community Safety Grant	R 90 000
<b>Capital Expenditure Increase</b>	<b>R 1 664 903</b>

A detailed report on the capital expenditure is provided in Annexure A.

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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) 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:

1. Approval of the 2021 - 2022 unspent Provincial grants
2. Additional National grant and District grant received.

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 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 Transfer Recognised Operational increase from R 146 million to R 154 million due to the following changes:

<b>Transfer Recognised - Operational</b>		
<b>Grant Name</b>		<b>(Increase)</b>
Western Cape Municipal Capacity Building Grant	-R	83 567
Human Settlements Development Grant	-R	1 509 443
Community Development Workers Grant	-R	97 539
LG Public Employment Support Grant	-R	390 313
Emergency Housing Grant	-R	4 600 220
Joint District and Metro Grant	-R	1 000 000
<b>Total Transfer Recognised - Operational (Increase)</b>	<b>-R</b>	<b>7 681 082</b>

4. The adjustment Other Revenue remained R 19 million with the following changes:

Other Revenue		
Grant Name	(Increase)	
HAN	-R	37 954
<b>Total Other Revenue (Increase)</b>	<b>-R</b>	<b>37 954</b>

5. The adjustment Transfer Recognised Capital increase from R 50 million to R 52 million due to the following changes:

Transfer Recognised - Capital		
Grant Name	(Increase)	
Human Settlements Development Grant	-R	852 119
Library Service Grant	-R	722 784
Community Safety Grant	-R	90 000
<b>Total Transfer Recognised - Capital (Increase)</b>	<b>-R</b>	<b>1 664 903</b>

6. The adjustment operating expenditure budget increase from R 675 million to R 683 million due to the following changes:

Operating Expenditure		
Grant Name	Increase	
Western Cape Municipal Capacity Building Grant	R	83 567
Human Settlements Grant	R	1 509 443
Community Development Workers Grant	R	97 539
LG Public Employment Support Grant	R	390 313
Joint District and Metro Grant	R	1 000 000
Emergency Housing Grant	R	4 600 220
HAN	R	37 954
<b>Operating Expenditure Increase</b>	<b>R</b>	<b>7 719 036</b>

A detailed report on the operating expenditure is provided in Annexure A.

7. The adjustment capital budget decrease from R 170 million to R 172 million due to the following changes:

Capital Expenditure		
Grant Name	Increase	
Human Settlements Grant	R	852 119
Library Service Grant	R	722 784
Community Safety Grant	R	90 000
<b>Capital Expenditure Increase</b>	<b>R</b>	<b>1 664 903</b>

A detailed report on the capital expenditure is provided in Annexure A.



### **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 Transfer Recognised Operational has increased from R 146 million to R 154 million.

The Transfer Recognised Capital has decreased from R 50 million to R 52 million.

#### ***Operating Expenditure***

Operating expenditure has increased from R 675 million to R 683 million.

#### ***Capital Expenditure***

The Transfer Recognised Capital has decreased from R 170 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)
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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**

Transfer Recognised Operational has increased from R 146 million to R 154 million.

The Transfer Recognised Capital decrease from R 50 million to R 52 million.

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

Operating expenditure has increased from R 675 million to R 683 million.

Capital expenditure has decreased from R 170 million to R 172 million.

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

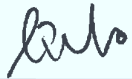
The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 30 November 2022.

## Quality Certificate

I, B Ngubo, 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

Municipal Manager of: Theewaterskloof Municipality (WC031)

Signature:  \_\_\_\_\_

Date: 30 November 2022

Print Name: A Riddles

Acting Chief Financial Officer of: Theewaterskloof Municipality (WC031)

Signature:  \_\_\_\_\_

Date: 30 November 2022

# Annexure A

## Operating Expenditure:

Grant Name	Project	Vote Description	Increase
HAN Grant	WC031_HAN	Other Expenditure:Operational Cost:Wet Fuel	37 954,00
Western Cape Municipal Capacity Building Grant	WC031_Financial Management Capacity Building Grant_Bursaries	Contracted Services - Business and Financial Management (Professional)	83 567,00
Human Settlements Development Grant	WC031_Riviersonderend 48 Top Structures	Other Materials - Housing Top Structures	1 111 422,00
Human Settlements Development Grant	WC031_Povincial Housing Projects - Grabouw- Rooidakke 1169	Other Materials - Housing Top Structures	398 021,49
LG Public Employment Support Grant	WC031_LG Public Employment Support Grant	Contracted Services - Personnel and Labour	374 313,00
LG Public Employment Support Grant	WC031_LG Public Employment Support Grant	Other Expenditure Uniform and Protective Clothing	16 000,00
Joint District and Metro Grant	WC031_Joint District and Metro Grant	Contracted Services - Business and Financial Management (Professional)	1 000 000,00
Emergency Housing Grant	WC031_Greater Grabouw Planning	Other Materials - Housing Top Structures	4 600 220,00
Community Development Workers Grant	WC031_CDW Grants	Other Expenditure - Operating Leases (Other Assets)	55 513,00
Community Development Workers Grant	WC031_CDW Grants	Contracted Services - Catering	15 000,00
Community Development Workers Grant	WC031_Socio Economic Projects: Gender Based Violence (CDW)	Other Expenditure - Printing, Publications and Books (Printing)	27 026,00
<b>Total Operating Expenditure</b>			<b>7 719 036,49</b>

## Capital Expenditure:

Grant Name	Vote Description	Increase
Library Service Grant	Modular Library	722 784,00
Community Safety Grant	Machinery and Equipment (CCTV Cameras)	90 000,00
Human Settlements Grant	Botrivier Beaumont (New France): Installation of Civil Engineering (Roads)	852 118,51
<b>Total Capital Expenditure</b>		<b>1 664 902,51</b>