

A123/2022

REPORT ON SPECIAL BUDGET ADJUSTMENT IN TERMS OF MFMA SECTION 28(1)(2)(b) & (f) FOR 2021/2022 FINANCIAL YEAR

6/1/1-2021/2022

Special Council Meeting

: 30 June 2022

1.PURPOSE

The purpose of the item is to request Council to approve the Special Budget Adjustment in terms of section 28(2)(b) & (f) of the MFMA for 2021/2022 budget period.

2. LEGISLATIVE FRAMEWORK

- 2.1 Constitution of the Republic Act No.108 of 1996
- 2.2 Municipal System Act No 32 of 2000
- 2.3 Municipal Finance Management Act, No.56 of 2003
- 2.4 Division of Revenue Act 2018
- 2.5 Municipal Budget and Reporting Regulation No. 32141
- 2.6 MFMA Circular No.108 &112

3.BACKGROUND

- 3.1 The Council of Thaba Chweu Local Municipality approved an Annual Adjustment Budget in its special sitting of 28 February 2022 per resolution number A61/2022.
- 3.2 National Treasury through the adjusted Division of Revenue Act for 2021/2022 (DoRA) allocated Thaba Chweu additional R10 million under the Water Services Infrastructural Grant during the month of March 2022 from initial amount of R25 million to the final balance of R35 million. This additional allocation came after council has already considered an adjustment budget on the 28 February 2022.

4.DELIBERATION / DISCUSSIONS

- 4.1 In terms of MFMA section 28(1)(2) (b) and (f): A Municipality may appropriate additional revenue that have become available over and above those anticipated in the Annual Budget, but only to revise or accelerate spending programmes already budgeted for and may correct any errors in the Annual Budget.
- 4.2 Thaba Chweu received additional allocation in terms of adjusted Division of Revenue Act during on the 30 March 2022. In compliance to MFMA section 28(1)(2) (b) and (f), Council is requested to approve the special adjustment of the budget to accelerate spending of Water Services Infrastructural Grant.

EXECUTIVE SUMMARY OF THE SPECIAL BUDGET ADJUSTMENT

4.4 High Level Summary:

Description	Approved Adjustment	MFMA Sec 28(2)(b) & (f)	2021/2022	2022/2023	2023/2024
Revenue	R 728 559 939	R 10 000 000	R 738 559 939	R 799 871 585	R 825 602 029
Operational Expenditure	-R 753 020 665	-R 61 000 000	-R 814 020 665	-R 675 492 954	-R 692 242 965
Capital Expenditure	-R 84 572 900	-R 10 000 000	-R 94 572 900	-R 101 211 650	-R 85 435 600
Surplus / (Deficit)	-R 109 033 626	-R 61 000 000	-R 170 033 626	R 23 166 980	R 47 923 464

4.5 Special Adjustment Impact on Approved Revenue for 2021/2022:

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Revenue By Source	Final Adjstment 2021/2022	MFMA Sec 28(2)(b) Adjustment	2021/2022	2022/2023	2023/2024
<i>Fines Penalties and Forfeits</i>	-R 2 500 000		-R 2 500 000	-R 2 687 500	-R 2 889 063
<i>Interest Dividend and Rent on Land</i>	-R 32 500 000		-R 32 500 000	-R 34 937 500	-R 37 557 813
<i>Licences or Permits</i>	-R 100 000		-R 100 000	R -	R -
<i>Operational Revenue</i>	-R 6 315 700		-R 6 315 700	-R 5 375 000	-R 5 778 125
<i>Property Rates by Usage</i>	-R 125 000 000		-R 125 000 000	-R 134 375 000	-R 144 453 125
<i>Rental from Fixed Assets</i>	-R 4 900 000		-R 4 900 000	-R 5 375 000	-R 5 778 125
<i>Sales of Goods and Rendering of Service</i>	-R 3 684 300		-R 3 684 300	-R 5 375 000	-R 5 778 125
<i>Service Charges</i>	-R 303 541 939		-R 303 541 939	-R 326 307 585	-R 350 780 653
<i>Transfers and Subsidies</i>	-R 250 018 000	-R 10 000 000	-R 260 018 000	-R 285 439 000	-R 272 587 000
GRAND TOTAL	-R 728 559 939	-R 10 000 000	-R 738 559 939	-R 799 871 585	-R 825 602 029

Revenue will be adjusted up with R10 million which the additional WSIG allocation received during the month of March 2022.

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4.6 Special Adjustment Impact on Operational Expenditure for 2021/2022:

Operational Expenditure By Type	Final Adjustment Budget	MFMA Sec 28(2) (f) Adjustment	2021/2022	2022/2023	2023/2024
Employee Cost	R 243 938 220	R -	R 243 938 220	R 256 347 719	R 275 573 798
Debt impairment	R 23 000 000	R 18 000 000	R 41 000 000	R 8 062 500	R 8 667 188
Depreciation and Amortisation	R 27 000 000	R 43 000 000	R 70 000 000	R 8 062 500	R 8 667 188
Finance Charges	R 43 999 996	R -	R 43 999 996	R 10 750 000	R 11 556 250
Bulk Purchase	R 153 999 996	R -	R 153 999 996	R 165 550 000	R 177 966 250
Other Material	R 9 228 987	R -	R 9 228 987	R 8 632 250	R 7 500 000
Contract Services	R 79 305 012	R -	R 79 305 012	R 69 144 004	R 48 000 000
General Expenditure	R 78 962 448	R -	R 78 962 448	R 78 117 481	R 83 976 292
Loss on Disposal on PPE	R -	R -	R -		
Operational grants	R 4 336 002	R -	R 4 336 002	R 4 579 500	R 4 836 000
Repairs and Maintenance	R 88 250 000	R -	R 88 250 000	R 65 747 000	R 65 000 000
Transfers and Subsidies	R 500 004	R -	R 500 004	R 500 000	R 500 000
GRAND TOTAL	R 753 020 665	R 61 000 000	R 814 020 665	R 675 492 954	R 692 242 965

Debt impairment and depreciation were initially under budgeted per the approved Adjusted Budget for 2021/2022 Financial Year. The increment amount of R61 million is to correct the error in compliance with MFMA Section 28 (1)(2) (f)

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4.7 Special Adjustment Impact on Capital Expenditure for 2021/2022:

GRANT FUNDED PROJECTS	DEPARTMENT	FUNDING	Final adjustment	Special Adjustment	2021/2022
Municipal Infrastructural Grants Projects (MIG):			R 47 482 900	R -	R 47 482 900
Installation of 25 Boreholes in Thaba Chweu Loc	Technical Services	MIG	R 8 860 126	R -	R 8 860 126
Refurbishment of Sanitation Infrastructure in Thab	Technical Services	MIG	R 7 157 439	R -	R 7 157 439
Refurbishment of Aparar (Matibidi) Ring Road Str	Technical Services	MIG	R 8 509 695	R -	R 8 509 695
Refurbishment of Morothong-Kanana Street at M	Technical Services	MIG	R 4 610 967	R -	R 4 610 967
Refurbishment of De Clerq Street at Mashishing I	Technical Services	MIG	R 8 865 094	R -	R 8 865 094
Refurbishment of Potgieter Street at Mashishing I	Technical Services	MIG	R 8 915 200	R -	R 8 915 200
Upgrading of Leroro Stadium	Technical Services	MIG	R 564 378	R -	R 564 378
Water Service Infrastructural Grant Projects: (WSIG)			R 25 000 000	R 10 000 000	R 35 000 000
Sabie AC Pipeline Replacement Phase1	Technical Services	WSIG	R 25 000 000	R 6 901 269	R 31 901 269
Refurbishment of Lydenburg Sewer Plant	Technical Services	WSIG		R 3 098 731	R 3 098 731
Internal Funded Projects:			R 12 090 000	R -	R 12 090 000
Procurement of Brushcutters	Community	Own Funding	R 400 000	R -	R 400 000
Fencing Simile Library	Community	Own Funding	R 300 000	R -	R 300 000
20 Skip Bins	Community	Own Funding	R 400 000	R -	R 400 000
Supply & Delivery of Transformors	Technical Services	Own Funding	R 5 000 000	R -	R 5 000 000
Supply & Delivery of Mini-Substation	Technical Services	Own Funding	R 5 000 000	R -	R 5 000 000
Procurement of Archives steel cabinets	Corporate	Own Funding	R 490 000	R -	R 490 000
Procurement of Office furniture	Corporate	Own Funding	R 500 000	R -	R 500 000
TOTAL CAPITAL PROJECTS BUDGET			R 84 572 900	R 10 000 000	R 94 572 900

Overall capital budget will increase by R10 million of additional WSIG allocation. The R6.7 million of the allocation will be added to Sabie AC pipeline Replacement Phase 1 and the balance of R3.1 million will be allocated to a new project of Refurbishment of Lydenburg Sewer.

5.CONCLUSION

This Special Budget Adjustment is meant to appropriate the additional WSIG allocation received through 2021/2022 adjusted DoRA to accelerate spending of the programmes under the grant, where Thaba Chweu was given additional R10 million. Also, an error was identified on material understatement of non-cash items of debt impairment and depreciation. Additional R61 million was added to correct the initial understatement noted in the approved Adjustment Budget of 28 February 2022.

RECOMMENDATIONS

1. The report on the Special Budget adjustment be noted.
2. That Council approves the Special Budget Adjustment in terms of MFMA section 28(2) (b)-(f) pas follows:

Description	Approved Adjustment Budget	MFMA Sec 28(2)(b) & (f) Adjustment	2021/2022	2022/2023	2023/2024
<i>Revenue</i>	R 728 559 939	R 10 000 000	R 738 559 939	R 799 871 585	R 825 602 029
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<i>Capital Expenditure</i>	-R 84 572 900	-R 10 000 000	-R 94 572 900	-R 101 211 650	-R 85 435 600
Surplus / (Deficit)	-R 109 033 626	-R 61 000 000	-R 170 033 626	R 23 166 980	R 47 923 464

3. That Council approves the Refurbishment of Lydenburg Sewer Plant to be implemented with the Budget of R3 million in the 2021/2022 budget period. The amount will be used to pay Professional Fees of this muti year project.