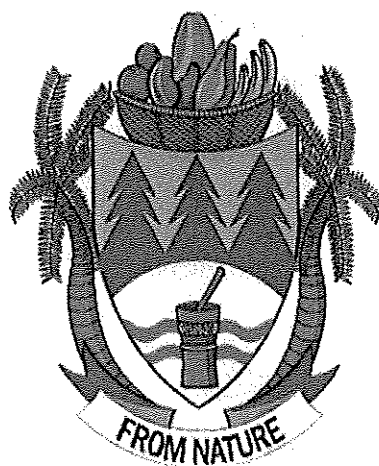


A 20 ADJUSTMENT BUDGET 2017/2018 TO 2019/2020

(E/C 2018 02 26, C 2018 02 27)

(5/1/3/2)

GREATER TZANEEN MUNICIPALITY



ADJUSTMENT BUDGET 2017/2018 – 2019/2020 Adjusted Medium Term Revenue and Expenditure Framework

TABLE OF CONTENTS

	PAGE NO.
Table of Contents	
Glossary	
PART 1 – ADJUSTMENT BUDGET	
Section 1 – Introduction.....	6
Section 2 – Legal Requirements.....	7
Section 3 – Mayor’s Report.....	9
Section 4 – Adjustment Budget Related Resolutions.....	10
Section 5 – Executive Summary.....	13
Section 6 – Adjustment Budget Tables.....	27
PART 2 – SUPPORTING DOCUMENTATION	
Section 7 – Budget Related Policies.....	28
Section 8 – Overview of Adjustment Budget Assumptions.....	28
Section 9 – Adjustments to Budget Funding.....	28
Section 10 – Adjustment to Expenditure on allocations and grant Programmes.....	29
Section 11 – Adjustment to allocations and grants made by the Municipality.....	29
Section 12 – Adjustment to Councillor Allowances and Employee Benefits.....	30
Section 13 – Adjustments to service delivery and budget Implementation plans – internal departments.....	30
Section 14 – Adjustment to Capital Expenditure.....	30
Section 15 – Other Supporting Documents.....	30
Section 16 – Municipal Manager’s quality Certification.....	31

ANNEXURES

ANNEXURE "A" Operating Expenditure Request - GTM

ANNEXURE "B" Roll-over approval from National Treasury

GLOSSARY

Adjustment Budget - Prescribed in Section 28 of the MFMA. The formal means by which a Municipality may revise its Annual Budget during the year.

Allocations – Money received from Provincial or National Government or other Municipalities or public donations.

Budget – The financial plan of the Municipality

Capital Expenditure – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Asset Register.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and Local Government.

Equitable Share – A general grant paid to Municipalities. It is predominantly targeted to help with free basic services.

Fruitless and Wasteful Expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality.

MFMA - The Municipal Finance Management Act no. 53 of 2003. The principle piece of Legislation relating to Municipal Financial Management.

MTREF – Medium Term revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current year's financial position.

OPERATING EXPENDITURE – Spending on the day to day expenses of the Municipality such as salaries and wages.

PROPERTY RATES – Local Government tax on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan.

UNAUTHORISED EXPENDITURE – Generally, spending without, or in excess of, an approved budget.

VIREMENT – A transfer of budget within the same vote/department.

VOTE – One of the main segments of a budget. The vote structure at Greater Tzaneen Municipality is made up as follows:

1. Department of the Municipal Manager
2. Corporate Services Department
3. Engineering Department
4. Electrical Department
5. Chief Financial Officer Department
6. Planning and Economic Development Department
7. Community Services Department

PART 1

SECTION 1 – INTRODUCTION

PURPOSE OF THE REPORT

The purpose of this report is to inform Council of the 2017/2018 budgeted versus the actual figures and to obtain Council's approval to revise the approved 2017/2018 Annual Budget through an Adjustment Budget.

BACKGROUND

Section 23 of the Budget Regulations published on 17 April 2009 in terms of Section 28 of the Municipal Finance Management Act, 2003 determines that an Adjustment Budget may be tabled in the Municipal Council at any time after the mid-year budget and performance assessment has been tabled in council, but not later than 28 February of the current year. It also determines that only one adjustment budget may be tabled in the Municipal Council during a financial year except when additional revenue is allocated to a municipality by National or Provincial Government.

The Municipal Finance Management Act determines that the accounting officer of the Municipality must by 25 January assess the performance of the Municipality during the first half of the financial year and make recommendations as to whether any adjustment budget is necessary. If an adjustment budget is required it must be supported by revised projections of revenue and or expenditure to the extent that this may be necessary.

The Mayor established a Budget Steering Committee to provide technical assistance to him. The Steering Committee consists of the following persons:

- a) The Councilors responsible for financial matters
- b) The Mayor
- c) The Speaker
- d) The Chief Whip
- e) The Municipal Manager
- f) The Chief Financial Officer
- g) All the Directors
- h) The Manager responsible for budgeting
- i) The Manager responsible for Planning (IDP)
- j) Any Technical Experts on Infrastructure

This Committee met a number of times to ensure a well-balanced and credible Adjustment Budget, and is convinced that the adjustments as per the recommendation should be effected.

Mopani District Municipality

Apart from the legislative requirements Council is also informed that the 2017/2018 Water and Sewer Budgets approved by Council were submitted to Mopani District Municipality for approval and submission to National Treasury for consideration. Any adjustment to these budgets will have to be approved by Mopani District Municipality. Any other changes to the budgets of these services will have to be amended in Councils records as virements.

GTEDA

With regard to the establishment of our Municipal Entity, GTEDA, Council is informed that the Municipal Budget Circular 74 determines that, to ensure consistency of reporting across Municipalities and individual Municipalities with Entities, the Municipality with Entities must produce:

- A Consolidated Annual Budget, Adjustment Budget and monthly Financial Statements for the parent Municipality and all its Municipal Entities.

This entails that any adjustment to the budget received from GTEDA must be considered by Council and addressed in the Adjustment Budget.

SECTION 2 – LEGAL REQUIREMENTS

Chapter 4 Section 28 of the Local Government Municipal Finance Management Act. No. 56 of 2003 determines the following with regard to the Municipal Adjustment Budget.

“28. Municipal Adjustment Budgets

- 1) *A Municipality may revise an approved annual budget through an adjustment budget.*
- 2) *An adjustment budget:-*
 - (a) *Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
 - (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;*
 - (c) *May, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality.*

- (d) *May authorize the utilization of projected savings in one vote towards spending under another vote;*
 - (e) *May authorize 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; and*
 - (g) *May provide for any other expenditure within a prescribed framework.*
- 3) *An adjustment budget must be in a prescribed form.*
- 4) *Only the Mayor may table an adjustment budget in a municipal council, but an adjustment budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timings or frequency.*
- 5) *When an adjustment budget is tabled, it must be accompanied by:-*
- (a) *an explanation how the adjustment budget affects the annual budget;*
 - (b) *a motivation of any material changes to the annual budget;*
 - (c) *an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
 - (d) *Any other supporting documentation that may be prescribed.*
- 6) *Municipal tax and tariffs may not be increased during a financial year except when required in terms of financial recovery plan.*
- 7) *Section 22(b), 23(3) and 24(3) apply in respect of an adjustment budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.*
29. *Unforeseen and unavoidable expenditure*
- 1) *The Mayor of the municipality may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget,*
 - 2) *Any such expenditure:*
 - (a) *Must be in accordance with any framework that may be prescribed;*
 - (b) *May not exceed a prescribed percentage of approved annual budget;*
 - (c) *Must be reported by the mayor to the municipal council at its next meeting; and*
 - (d) *Must be appropriated in an adjustment budget.*

- 3) *If such adjustment budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and section 32 applies."*

Chapter 5 Section 71 of the Municipal Budget and Reporting Regulations published in terms of Section 168 of the Municipal Finance Management Act, 2003 determines the following:

Authorization of unforeseen and unavoidable expenditure

71. (1) *The Mayor of a Municipality may authorize 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; and*
 - (b) *The delay that will be caused pending approval of an adjustments budget by the municipal council in terms of Section 28(2)(c) of the Act to authorize the expenditure may:-*
 - (i) *Result in significant financial loss for the municipality;*
 - (ii) *Cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;*
 - (iii) *Lead to loss of life or serious injury or significant damage to property;*
or
 - (iv) *Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.*
- (2) *The Mayor of a municipality may not authorize expenditure in terms of section 29 of the Act if the expenditure:-*
- (a) *Was considered by the Council, but not approved in the annual budget or an adjustments budget;*
 - (b) *Is required for:-*
 - I *Price increases of goods or services during the financial year;*
 - II *New municipal services or functions during the financial year;*
 - III *The extension of existing municipal services or functions during the financial year;"*

SECTION 3 – MAYOR’S REPORT

The Adjustment Budget Report of the Mayor will be distributed under separate cover.

SECTION 4 – ADJUSTMENT BUDGET RELATED RESOLUTIONS

- a) That no adjustment with regard to Operational Expenditure be approved.
- b) That the payment of Legal fees and Insurance claims which may result in unauthorized expenditure be investigated by MPAC.
- c) That the following adjustments with regard to Capital projects be approved.

MIG PROJECTS FOR 2017/2018 FINANCIAL YEAR:

ALLOCATION: R95, 942,000

Project Name	Original MIG Budget	Adjustment Amount	Adjusted MIG Budget
1. Mawa Block 12 Low Level Bridge	R3, 100,234	- R3, 100,234	R0
2. Moruji to Maswi: Upgrading of Road from Gravel to Tar : Phase 4 of 5	R34,839,965	R0	R34,839,965
3. Nkowankowa Codesa Street to Hani Street	R11,000,000	- R11,000,000	R0
4. Lenyenye Street Paving	R6,300,000	- R6,300,000	R0
5. Upgrading of Burgersdorp Sports Ground: Phase 2 of 2	R8,920,324	- R8,920,324	R0
6. Upgrading of Juliesburg Sports Ground: Phase 1 of 2	R4,534,279	- R4,534,279	R0
7. Tickyline to Makhwibidung Storm Water Management	R3,500,000	- R3,500,000	R0
8. Mopye High School Access Road: Phase 1 of 2	R6,300,210	- R6,300,210	R0
9. Mulati Access Road Paving	R6,507,026	- R6,507,026	R0
10. Nelson Ramodike High School Access Road	R6,142,862	- R6,142,862	R0
11. PMU Management	R4,797,100	R0	R4,797,100
12. Rita to Mariveni: Upgrading of Road from Gravel to Tar	R0	R 3,173,183	R 3,173,183
13. Tickyline to Mafarana: Upgrading of Road from Gravel to Tar	R0	R27,307,026	R27,307,026
14. Upgrading of Burgersdorp Sports Ground	R0	R 12,920,324	R 12,920,324
15. Upgrading of Juliesburg Sports Ground	R0	R6,534,279	R6,534,279
16. Relela Cluster Community Hall	R0	R3,188,640	R3,188,640
17. Khubu to Lwandlamuni Low Level Bridge	R0	R 3,181,483	R 3,181,483
TOTAL	R95,942,000	R0	R95,942,000

ELECTRICAL ENGINEERING PROJECTS:

PROJECT NAME	ORIGINAL BUDGET	ADJUSTMENT AMOUNT	ADJUSTED BUDGET
New Electrical Connections Consumer Contributions	R15,000,000	-R300,000	R14,700,000
Renewal Repairs and Maintenance on pre-paid meters	R0	R300,00	R300,000

- d) That the following overspendings/unauthorized expenditure on the Capital Budget be investigated by MPAC:
- Upgrading of road D3766 Rita to Mariveni from gravel to tar (standing time) R15 709 234.
 - Marumofase low level bridge R2 200 000
- e) That no adjustment with regard to DORA Grant allocations be effected.
- f) That the following roll over projects, financed from Conditional Grants, approved by National Treasury, be included in the Adjustment Budget.

ROLL-OVERS APPROVED BY NATIONAL TREASURY

DEPARTMENT	PROJECT NAME	BUDGETED AMOUNT 2016/2017	EXPENDITURE 2016/2017	AMOUNT TO BE ROLLED OVER 2016/2017	VOTE NUMBER	FUNDING
PMU	Upgrading of Runnymede cluster Sport facility			6 500 000	195/600/5202	MIG
	Tickyline to Mafarana: Upgrading of road from Gravel to Tar			9 330 308	195/600/5202	MIG

TOTAL

15 830 308

- g) That no saving for the Roll-over projects approved by National Treasury be identified seeing that the budget of these projects has been rolled forward from the previous financial year and that sufficient cash was available at year-end to accommodate the roll-over projects.
- h) That the following adjustments with regard to roll-over project, from own funds, approved by Council on 31 August 2017 Item A 69 be effected.

CAPITAL PROJECTS: ROLL-OVERS FROM THE 2016/2017 FINANCIAL YEAR

DEPARTMENT	PROJECT NAME	BUDGETED AMOUNT 2016/2017	EXPENDITURE 2016/2017	AMOUNT TO BE ROLLED OVER 2016/2017	VOTE NUMBER	FUNDING
ELECTRICAL	Replace 10 x 11 kV and 6 x 33 kV Auto-Reclosers	2 025 000	0	2 025 000	162/608/5123	OWN
ENGINEERING						
ROADS STORMWATER	Khwekhwe Low Level Bridge	1 300 000	0	1 300 000	063/600/5002	LOAN
	Tzaneen Airfield	2 500 000	468 615	2 031 385	063/600/5129	LOAN
BUILDING & HOUSING	Construction of Ablution Facilities at Parks	900 000	80 297	819 703	105/600/5101	OWN

TOTAL

R6 176 088

- i) That no saving for the Roll-over projects approved by Council be identified, seeing that sufficient cash was available at year-end to accommodate the roll-over projects of the previous financial year.
- j) That the Directors manage their respective votes/departments in the Municipality in terms of Section 77 of the MFMA to ensure that no overspending occurs at 30 June 2018, and that the additional requests that could not be accommodated in the Adjustment Budget be managed through virements.
- k) That special attention be given to Credit Control to ensure that the anticipated shortfall in Revenue is addressed.
- l) That the adjustment budget and supporting documentation be submitted to National Treasury and Provincial Treasury in both printed and electronic format within 10 working days after approval by Council in terms of Section 28 (7) of the Act.
- m) That the expenditure i.e. Repairs and Maintenance on boreholes and provision of water tankers on the water and sewer services in Mopani's area of jurisdiction be taken up with Mopani District Municipality and that it be discussed and included in the Service Level Agreement between Mopani District Municipality and Greater Tzaneen Municipality.
- n) That no Adjustment be effected on the Water and Sewer budgets and that the adjustment request of R3 million be taken up with MDM by the Acting Director Engineering Services and the Acting Municipal Manager.

- o) That no Adjustment be approved for GTEDA and that possible overspending on line items be accommodated by virements.
- p) That the cash flow of the Municipality be managed to ensure that all liabilities of the Municipality are met at year-end.
- q) That adjustments be effected on the Municipalities B Schedules to ensure alignment with the mSCOA data strings.

SECTION 5 – EXECUTIVE SUMMARY

The Adjustment Budget process is governed by the Municipal Finance Management Act 56 of 2003 and the objectives are:

- To manage any adjustment to the approved operational and capital budgets in such a manner that it will enhance the quality of life of the citizens.
- To ensure that all adjustments to the approved budget are done in accordance with legislation.
- To manage the financial affairs of the Municipality in such a manner that sufficient cash resources are available to finance the adjustments to the approved budget of the Municipality.

These objectives are supported by Section 18 of the MFMA which provides a budget rule indicating that Municipal expenditure can only be funded by realistic anticipated revenue to be collected. This rule empowers municipal councils to adopt budgets that are implementable seeing that the revenue projections must take into account socio – economic conditions, revenue collection capacity and the ability of consumers to pay for services.

Municipalities who apply this rule are unlikely to suffer unexpected impacts due to economic distress. On the contrary Municipalities who adopt budgets which are not funded by realistic anticipated revenue may lead to financial distress.

There are however always elements that cannot be predicted which may lead to the overspending on votes. To accommodate these elements Section 28 (2)(a) of the MFMA provides an opportunity to Municipalities to adjust their revenue and expenditure estimates during the financial year.

Seeing that only one adjustment budget per year is allowed forces municipalities to plan ahead and to make sure that the spending patterns are kept below the actual money received. Legislation determines that if there is a material under collection of revenue during the current financial year the revenue and expenditure estimates must

be adjusted downwards. If there are additional revenues to those budgeted for it can only be used to revise or accelerate spending programs already budgeted for.

The budgeted and actual figures of the 2017/2018 financial year are discussed below to ensure that Greater Tzaneen Municipality complies with all legislative requirements.

APPROVED OPERATIONAL BUDGET (2017/2018)

BUDGETED INCOME (2017/2018)

Description	Amount
Tzaneen Budget	R1 149 916 726
MDM Water Budget	R 62 848 004
MDM Sewer Budget	R 12 457 501
MDM Environmental Health Budget	R 25 000
Prov. Community Health Budget	<u>R 0</u>
Total Budget	<u>R1 225 247 231</u>

The 2017/2018 expenditure budget which has been approved by Council can be summarized as follows: (This budget includes the capital budget from Grants and Own sources)

BUDGETED EXPENDITURE (2017/2018)

Description	Amount
Operational Budget Tzaneen	R1 094 205 529
Operational Budget Water MDM	R 57 252 905
Operational Budget Sewer MDM	R 10 779 928
Operational Budget Environmental Health	R 10 446 042
Operational Budget Community Health	R 227 762
Capital Budget: Grants & Own Sources	R 140 889 509
Appropriations	<u>(R 88 554 444)</u>
Total Budget	<u>R1 225 247 231</u>

CASH FLOW PROJECTIONS (2017/2018)

ANTICIPATED ACTUAL INCOME (2017/2018)

Description	Budget 2017/2018	Actual July 2017 to December 2017	Anticipated Actual Income 12 Months
Rates	R 108 000 000	R 67 573 943	R 130 000 000
Penalties & collec. charges	R 6 500 000	R 3 414 521	R 6 829 042
Service Charges	R 567 547 253	R264 726 422	R 539 452 844
Rent of facilities and equip.	R 1 372 100	R 913 656	R 1 827 312
Interest External Investm.	R 3 501 000	R 2 022 627	R 3 300 000
Interest Outstanding Debt	R 19 000 000	R 11 584 448	R 23 168 896
Fines	R 5 503 136	R 2 245 054	R 4 490 108
Licenses & Permits	R 701 000	R 505 209	R 1 010 418
Income Agency Services	R 50 264 291	R 25 054 479	R 50 108 958
Operating Grants & Subs.	R 476 793 405	R313 456 495	R 476 793 405
Other Revenue	R 10 235 046	R 1 151 802	R 7 500 000
Gain On Disp. PPE	R 2 200 000	R 0	R 1 000 000
Income Foregone	<u>(R 26 370 000)</u>	<u>(R 20 433 412)</u>	<u>(R 26 370 000)</u>
Income	<u>R1 225 247 231</u>	<u>R672 215 245</u>	<u>R1 219 110 983</u>

The anticipated actual income for the 2017/2018 financial year amounts to R1,219 Billion which is R6 million less than the budgeted amount.

The opinion is held that, with special attention to budget management and continued credit control the total budgeted amount can be recovered.

ANTICIPATED ACTUAL EXPENDITURE (2017/2018)

The anticipated actual expenditure can be summarized as follows:

2017/2018 Expenditure Items	2017/2018 Budget	Actual July 2017 December 2017	Anticipated Actual Expenditure 12 months
Salaries	R 287 795 115	R130 900 167	R 280 000 000
Social Contributions	R 66 017 114	R 25 519 861	R 57 000 000
Employee Cost Capitalized	-R 12 806 413	0	-R 12 806 413
Employee Cost Opex	-R 165 532 935	-R 8 307 246	-R 165 532 935
Remuneration Councillors	R 24 683 925	R 11 442 992	R 24 683 925
Bad Debts	R 35 751 000	0	R 35 751 000
Collection Cost	R 400 000	R 1 064 518	R 2 064 518
Inventory Loss	0	0	0
Depreciation	R 128 908 633	0	R 128 908 633
Repairs & Maintenance	R 226 321 681	R 34 201 912	R 233 936 759
Interest Ext. Borrowing	R 12 900 000	R 5 509 154	R 12 000 000
Bulk Purchases	R 348 335 078	R133 250 799	R 346 501 598
Contracted Serv.	R 58 553 032	R 30 625 522	R 62 351 044
Grants & Sub	R 32 063 000	R 8 285 485	R 30 000 000
Grant & Sub Unconditional	R 7 115 999	R 1 434 074	R 7 115 999
General Expenditures	<u>R 122 406 937</u>	<u>R 63 682 201</u>	<u>R 131 462 920</u>
TOTAL	<u>R1 172 912 166</u>	<u>R437 609 438</u>	<u>R1 173 437 048</u>

The anticipated actual expenditure amounts to R1,173 billion which is R525 thousand more than budgeted for, this anticipated over expenditure can be attributed to the anticipated over expenditure on the following items:

- GENERAL EXPENSES

• LEGAL SERVICES

An amount of R9 000 000 has been budgeted for Legal fees and the expenditure for the first 6 months amounts to R10 679 673. This is a matter of concern and will have to be addressed through an investigation by MPAC

- PROVINCIAL SHARE – VEHICLE LICENCE FEE

An amount of R21 682 000 has been budgeted for vehicle license fee and the expenditure for the first 6 months amounts to R15 530 407. Although revenue is generated through this service Municipalities may not overspend the expenditure budgets.

If these items are not managed, it will definitely result in an overspending on the budget.

A SUMMARY OF THE ANTICIPATED ACTUAL INCOME AND EXPENDITURE FOR THE 2017/2018 FINANCIAL YEAR

Anticipated Income 30/06/2018	R1 219 110 983
Anticipated Expenditure 30/06/2018	<u>R1 173 437 048</u>
Anticipated Surplus	<u>R 45 673 935</u>
Capital Expenditure	R 140 889 509
Appropriations	<u>(R 88 554 444)</u>
Anticipated shortfall	<u>R 6 661 130</u>

As the shortfall only represents 0,5% of the total Revenue budget the Chief Financial Officer is of the opinion that the budget needs to be managed and not to be reduced.

The revenue and expenditure as approved on the 2017/2018 budget will have to be managed to ensure that no overspending occurs.

DELIBERATIONS

It is required from Municipalities to table a balanced budget, based on realistic anticipated estimates of revenue and expenditure that are consistent with their budgetary resources and experiences. The needs of the communities and residents have to be met as far as possible and it should be achieved within the financial capacity and resource constraints of the Municipality. Many hours are spent to prepare and approve a budget which is fair and well balanced and normally has the support of all stakeholders. Unfortunately there are always elements, which cannot be predicted. These elements may result in the overspending of the approved budget. The 2017/2018 financial year is no exception and some of these elements are highlighted below.

REPAIRS AND MAINTENANCE

Our Municipality is not performing well on services such as maintenance of our electricity network, maintenance of roads and the maintaining of Councils vehicle fleet to ensure that vehicles are available when needed.

This is a serious matter of concern seeing that the Municipality could not provide an uninterrupted electricity service to its consumers during the festive season. Some of the Consumers were without electricity for days which resulted in excessive loss suffered by businesses and a loss in revenue for the Municipality.

If the Municipality continues on the road of not providing sufficient funds for operating activities and the maintaining of its vehicle fleet to ensure that vehicles are available to provide uninterrupted services, we are heading for a serious breakdown in service delivery.

Council is therefore advised to focus on maintaining the Municipalities assets before we create new assets.

MAINTENANCE OF THE WATER SERVICES NETWORK AND WASTE WATER TREATMENT

Water Service

A 100% maintenance services is rendered by Greater Tzaneen Municipality to the following towns:

- Tzaneen
- Nkowankowa
- Lenyenye
- Letsitele
- Haenertsburg

Greater Tzaneen Municipality responds to community request to repair or assist with maintenance to equipment in rural areas whilst Mopani District Municipality is the Water and Sewer Service Authority and responsible for the maintenance and supply of Water and Sewer Services in rural areas. Our Municipality is not remunerated for cost incurred in the Mopani District Municipal Area.

Wastewater Treatment

Greater Tzaneen Municipality manages and operates Tzaneen Sewage Works and assist Mopani District Municipality to maintain Nkowankowa Sewerage Works and Lenyenye Oxidation Ponds. Both Haenertsburg and Letsitele are using Septic tanks which are drained regularly at the request of the owner. The majority of the rural community use VIP latrines. Our Municipality is not remunerated for cost incurred when Mopani District Municipality is assisted.

LEGAL COSTS

The requests received from the Corporate Service Department include an additional amount of R5 million for Legal fees, this is a matter of concern and needs serious attention.

INSURANCE CLAIMS

The following adjustment requests have been received due to the fact that Council's Insurance Cover was cancelled from 1 July 2017 to 26 April 2018.

- Electricity Distribution network	R6 000 000
- Insurance Claims	R4 000 000

Additional budget allocations have been requested to cover the cost that should have been covered by Council's Insurance Portfolio had it not been cancelled.

BUDGET VERSUS ACTUAL EXPENDITURE

Before the adjustment requests are summarized Council needs to be informed of the budgeted versus the actual expenditure of the different votes / departments for the six months.

The budget is approved on this level and must be managed on this level.

ACTUAL VOTE/DEPARTMENT	2017/2018 BUDGET	ACTUAL FOR 6 MONTH
Municipal Manager	R 15 145 388	R 5 573 579
PED	R 28 777 751	R 13 605 846
Financial Services	R 92 752 902	R 41 921 304
Corporate Services	R 101 964 169	R 51 455 152
Engineering Services	R 221 991 704	R113 042 552
Community Services	R 204 770 705	R100 561 781
Electrical Services	<u>R 507 509 547</u>	<u>R233 779 037</u>
	<u>R1 172 912 166</u>	<u>R559 939 251</u>

The above mentioned figures which includes provision for bad debt and depreciation, the non-cash items indicate that the Directors are managing some of the line items on their budgets well and that, with the exception of the Corporate Services and Engineering Services departments, no department should overspend its budget.

The anticipated overspendings on Corporate Services and Engineering Services are as a result of the following:

Corporate Services

An anticipated overspending on the Departmental Expenditure due to the overspending on Legal fees. An amount of R9 million was budgeted for the year, whilst an amount of R10,6 million was spent on Legal Fees during the first six months of the year.

Engineering Services

The anticipated overspending is the result of an anticipated overspending on contracted services on the water networks. An amount of R8,8 million has been budgeted for the year and the actual expenditure for 6 months amounts to R6,6 million.

Although Directors managed their budgets well, special attention will have to be given to the management of repairs and maintenance, collection cost, contracted services and legal fees seeing that Council is heading for an over expenditure on their 2017/2018 cash resources.

ADJUSTMENT REQUESTS

The requests attached as Annexure "A" for adjustments on the 2017/2018 approved budget have been received from Directors.

MFMA REQUIREMENTS

Section 28 of the MFMA provides that a Municipality may revise its approved budget through an adjustment budget. It must however adjust the revenue and expenditure downwards if there is a material under-collection of revenue and if additional revenue is appropriated to the Municipality it can only be used to revise or accelerate spending programs budgeted for and not to increase the approved expenditure budget.

Section 71(i) of the Municipal Budget and Reporting Regulations determines that the Mayor of a Municipality may authorize expenditure that could not have been foreseen at the time the annual budget of the Municipality was approved, if the delay in approval will:

- Result in significant financial loss for the Municipality
- Cause a disruption or suspension, or a serious threat to the continuation of a basic municipal service.
- Lead to loss of life or serious injury or significant damage to property.
- Obstruct the Municipality from instituting or defending legal proceedings on an urgent basis.

The Mayor did not authorize any over expenditure relating to the above mentioned requirements during this financial year.

The Act also states that the Mayor may not authorize the expenditure if the expenditure:

- was considered by Council but not approved.
- if there were price increases of goods and services during the financial year.
- for new municipal services or functions.
- for the extension of existing municipal services or functions.

The Mayor did not authorize any over expenditure relating to the above mentioned requirements during this financial year.

The Municipal Finance Management Act determines that Directors are responsible for managing their respective votes/department and that powers and duties for this purpose have been delegated in terms of Section 79.

Each Director must therefore exercise financial management and take all reasonable steps within their respective departments to ensure that any unauthorized, irregular or fruitless and wasteful expenditure and any other losses are prevented.

The overspending of line items which may result in the overspending of any vote/department will have to be managed to prevent overspending of votes.

ADJUSTMENTS

The adjustments which are tabled to Council for consideration and approval can be divided into four categories:

- Roll over projects from the 2016/2017 financial year financed through own funds.
- Roll over Capital projects from the 2016/2017 financial year financed through Government Grants (Conditional Grants)
- Adjustments to accommodate operational requests.
- Adjustments to accommodate Capital requests.
- Adjustments to accommodate Dora allocations

These adjustments are discus as follows:

Roll Over Projects From 2016/2017 Financial Year Financed Through Own Funds

An amount of R6.1 million was rolled over from the 2016/2017 financial year to the 2017/2018 financial year by Council on 26 August 2016 item A 59. This amount needs to be included in the 2017/2018 Adjustment Budget.

Sufficient cash is available to accommodate the roll-over projects already approved by Council.

The roll-over projects are summarized as follows:

Capital Projects: Roll-Overs From The 2016/2017 Financial Year

DEPARTMENT	PROJECT NAME	BUDGETED AMOUNT 2016/2017	EXPENDITURE 2016/2017	AMOUNT TO BE ROLLED OVER 2016/2017	VOTE NUMBER	FUNDING
ELECTRICAL	Replace 10 x 11 kV and 6 x 33 kV Auto-Reclosers	2 025 000	0	2 025 000	162/608/5123	OWN
ENGINEERING	Khwekhwe Low Level Bridge	1 300 000	0	1 300 000	063/600/5002	LOAN
ROADS STORMWATER	Tzaneen Airfield	2 500 000	468 615	2 031 385	063/600/5129	LOAN
BUILDING & HOUSING	Construction of Ablution Facilities at Parks	900 000	80 297	819 703	105/600/5101	OWN

TOTAL

6 176 088

The roll-over projects from the 2016/2017 financial year, financed from Grants as approved by National Treasury are listed below:

Rollover Application through National Treasury

The rollover of the under mentioned projects from the 2016/2017 to the 2017/2018 financial years were approved by National Treasury. These projects amounts to R15,8 million.

Roll-Overs Approved By National Treasury

DEPARTMENT	PROJECT NAME	BUDGETED AMOUNT 2016/2017	EXPENDITURE 2016/2017	AMOUNT TO BE ROLLED OVER 2016/2017	VOTE NUMBER	FUNDING
PMU	Upgrading of Runnymede cluster Sport facility			6 500 000	195/600/5202	MIG
	Tickyline to Mafarana: Upgrading of road from Gravel to Tar			9 330 308	195/600/5202	MIG

TOTAL

15 830 308

The approval from National Treasury is attached to this report as Annexure "B".

As mentioned previously in this report sufficient cash is available to accommodate the rollover projects.

Adjustments to Accommodate Operational Requests

A detailed report of all the adjustments requests is included in this report as "Annexure "A".

These requests can be summarized as follows:

Department	Additional Opex Request
Community Services	R 590 000
Electrical Services	R 6 000 000
PED	R 600 000
Corporate Services	R 0
Civil Engineering Services	R 3 300 000
Budget, Treasury Office	R 4 000 000
Municipal Manager	<u>R 5 600 000</u>
TOTAL REQUESTS	<u>R20 090 000</u>

No adjustment request has been received from the Municipal Entity GTEDA.

All departments were engaged on a continuous basis to identify savings votes to accommodate the additional requests to no avail. As a final attempt consensus has been reached to rule out requests which:

- Was considered by Council but not approved
- If there were price increases of goods and services during the financial year.
- For new Municipal services or functions
- For the extension of existing Municipal services and functions

It was also resolved that due to the fact that departments could not identify savings votes to accommodate the R20 million additional requests, the following criteria be used to determine the adjustments to the approved budget:

- That requests /expenditure which have already been approved by Council but no savings have been identified be considered.

No requests comply with this criteria. Only the roll-over projects were approved.

After careful consideration the Budget Steering Committee resolved that Directors must manage their budgets without any additional allocation. The Committee also resolved that the Legal fees and Insurance claims which may result in unauthorized expenditure be investigated by MPAC.

This resolution is based on the fact that the anticipated over-expenditure amounts to only R525 thousand or 0,04% on Councils total budget.

Adjustments to Accommodate Capital Requests

The following requests have been received:

MIG PROJECTS FOR 2017/2018 FINANCIAL YEAR:

ALLOCATION: R95, 942,000

Project Name	Original MIG Budget	Adjustment Amount	Adjusted MIG Budget
1. Mawa Block 12 Low Level Bridge	R3, 100,234	- R3, 100,234	R0
2. Moruji to Maswi: Upgrading of Road from Gravel to Tar : Phase 4 of 5	R34 839 965	R0	R34,839,965
3. Nkowankowa Codesa Street to Hani Street	R11,000,000	- R11,000,000	R0
4. Lenyenye Street Paving	R6,300,000	- R6,300,000	R0
5. Upgrading of Burgersdorp Sports Ground: Phase 2 of 2	R8,920,324	- R8,920,324	R0
6. Upgrading of Juliesburg Sports Ground: Phase 1 of 2	R4,534,279	- R4,534,279	R0
7. Tickyline to Makhwibidung Storm Water Management	R3,500,000	- R3,500,000	R0
8. Mopye High School Access Road: Phase 1 of 2	R6,300,210	- R6,300,210	R0
9. Mulati Access Road Paving	R6,507,026	- R6,507,026	R0
10. Nelson Ramodike High School Access Road	R6,142,862	- R6,142,862	R0
11. PMU Management	R4,797,100	R0	R4,797,100
12. Rita to Mariveni: Upgrading of Road from Gravel to Tar	R0	R 3,173,183	R 3,173,183
13. Tickyline to Mafarana: Upgrading of Road from Gravel to Tar	R0	R27,307,026	R27,307,026
14. Upgrading of Burgersdorp Sports Ground	R0	R 12,920,324	R 12,920,324
15. Upgrading of Juliesburg Sports Ground	R0	R6,534,279	R6,534,279
16. Relela Cluster Community Hall	R0	R3,188,640	R3,188,640

ELECTRICAL ENGINEERING PROJECTS:

17. Khubu to Lwandlamuni Low Level Bridge	R0	R 3,181,483.00	R 3,181,483. 00
TOTAL	R95,942,000	R0	R95,942,00 0

PROJECT NAME	ORIGINAL BUDGET	ADJUSTMENT AMOUNT	ADJUSTED BUDGET
New Electrical Connections Consumer Contributions	R15,000,000	-R300,000	R14,700,000
Renewal Repairs and Maintenance on pre-paid meters	R0	R300,00	R300,000

1. Upgrading of road D3766, Rita to Mariveni, from gravel to tar. (Standing Item)
R15 709 234.
2. Marumofase low level bridge – R2 200 000.

Adjustments Allocations on Capital Projects

1. The request for an adjustment on the upgrading of road D3766 Rita to Mariveni from gravel to tar. (Standing Item) R15 709 234 is the result of the following:

The amount of R15 709 234,20 has been paid for standing time for which no provision was made on the Capital Budget. Council resolved that a saving be identified and that the amount be paid to the Contractor.

No saving for the requested adjustment can be identified due to the fact that the 2017/2018 Capital Budget allocations are only from the MIG Grant and a loan from DBSA for electricity revenue generation projects which makes it impossible to identify a savings vote. This expense will result in unauthorized expenditure and will have to be investigated by MPAC.

2. Marumofase low level bridge: R2 200 000.

The request for an adjustment on the Capital budget to accommodate the Marumofase low level bridge for an amount of R2,2 million is the result of the following:

The low level bridge has been constructed without any provision on the 2017/2018 Capital Budget and the project was never tabled to Council for consideration. An amount of R2,2 million has been spent on the construction of the bridge which will result in unauthorized expenditure.

The fact that the 2017/2018 Capital Budget allocations are only from the MIG Grant and a loan from DBSA for electricity revenue generation projects makes impossible to identify a savings vote, as this expense represents unauthorized expenditure it will have to be investigated by MPAC.

Adjustments to Accommodate Dora Allocations

Grant allocations are amended by National Treasury on an annual basis, normally during December of each financial year.

On the 20th of October 2017 Government Gazette no. 41186 was published but no charge to Grants allocated to Tzaneen has been approved.

Indirect Grants: Allocations-In-Kind

DORA also promulgates allocations-in-kind or incentives to Municipalities to meet there targets with regard to priority government programmes.

These Grants are managed by Province and must not be included in the Municipalities budget. No change to Indirect grants allocated to Greater Tzaneen Municipality has been approved.

WATER

Mopani District Municipality is the water and sewer services authority whilst Greater Tzaneen Municipality is the water and sewer service provider. The day to day activities of these services are performed by Greater Tzaneen Municipality and Greater Tzaneen Municipality must therefore manage the budget of these services to ensure that no overspending takes place.

During the first six months of this financial year none of the R36 811 405 million Budgeted Free Basic allocations has been received from Mopani District Municipality.

Greater Tzaneen Municipality also incurred expenditure on boreholes and water tankers which are the responsibility of Mopani District Municipality and have not been budgeted for by Council. This practice has a negative effect on Councils cash flow position and may limit the expenditure on the repairs and maintenance of Councils own assets.

This matter must be taken up with Mopani District Municipality to ensure that Council does not incurred expenditure on the water and sewer services which are executed in Mopani District Municipality area of jurisdiction. If Mopani consent to this matter Council will have to be remunerated in cash to ensure that Council's cash position is not affected negatively.

The Adjustment request to R3 million received for the Operational expenditure on the water service will have to be forwarded to MDM for consideration.

mSCOA

That adjustments be effected on Council's B schedules to ensure alignment with the mSCOA Data Strings as discussed with National treasury

SUMMARY

An amount of R22 066 396 will be affected on the Municipalities 2017/2018 Adjustment Budget.

This amount can be divided into five categories:

-	Roll-overs approved by National Treasury (Capital)	R15 830 308
-	Roll-overs approved by Council (Capital)	R 6 176 088
-	Adjustments to accommodate Operational requests	R 0
-	Adjustments to accommodate DORA allocations	R 0
-	Adjustments to accommodate Capital requests: MIG	R56 304 935
	: Elect.	<u>R 300 000</u>
		<u>R76 611 331</u>

SECTION 6 – ADJUSTMENT BUDGET TABLES

The Adjustment budget tables are attached to this document as Tables B1 to B10.

The Budget Tables are:

Table B1	-	Adjustment Budget Summary
Table B2	-	Adjustments Budgeted Financial Performance (revenue and Expenditure by standard classification)
Table B3	-	Adjustment Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table B4	-	Adjustments Budgeted financial Performance (revenue and expenditure)
Table B5	-	Adjustments Budgeted Capital Expenditure by vote, standard classification and funding.
Table B6	-	Adjustments Budgeted Financial Position
Table B7	-	Adjustments Budgeted Cash flows
Table B8	-	Adjustments Cash backed reserves/accumulated surplus Reconciliation
Table B9	-	Adjustments Budget Asset Management
Table B10	-	Adjustments Budget Basic Service delivery measurement

PART 2 – SUPPORTING DOCUMENTATION

SECTION 7– BUDGET RELATED POLICIES

There are no changes to the Budget Related Policies. All Financial Policies will be reviewed before the approval of the Annual Budget.

SECTION 8 – OVERVIEW OF ADJUSTMENT BUDGET ASSUMPTIONS

There are no changes to the Budget Assumptions proposed in the Adjustments budget.

SECTION 9 – ADJUSTMENT BUDGET FUNDING

FUNDING OF THE BUDGET

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated Revenue to be collected.
- Borrowed funds, but only for the Capital Budget referred to in Section 17.

This means that a Council must “balanced” its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

The fact that the under collection on Revenue constitutes less than 0,5% on the budgeted revenue is an indication of realistic service charges and good credit control.

A CREDIBLE BUDGET

Amongst other things, a credible budget is a budget that:

- Budget allocations which are consistent with the revised IDP.
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and on past performance and supported by documented evidence.
- Does not jeopardize the financial viability of the Municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and

The Budget of Greater Tzaneen Municipality sets out certain services delivery levels and associated financial implications. Therefore our community can realistically expect to receive these promised service delivery levels and understand the associated financial implications. The Municipality does not have a major under collection of revenue and it is therefore a clear indication that the Revenue budget off our Municipalities budget is credible and realistic.

SECTION 10 – ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANT ALLOCATIONS

Details of each Grant to be received and spent are shown in the schedules SB7 to SB9 attached to the report.

SECTION 11 – ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

ALLOCATIONS MADE BY THE MUNICIPALITY

No allocations outside the budgeted amounts have been made by the Municipality.

SECTION 12 – ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

SALARIES, ALLOWANCES AND BENEFITS

Details of Councillors allowances and Employee benefits are included in supporting table SB11 attached.

SECTION 13 – ADJUSTMENTS TO THE QUARTERLY SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS – INTERNAL DEPARTMENTS

Detail will be submitted to Council.

SECTION 14 – ADJUSTMENTS TO CAPITAL EXPENDITURE

Capital expenditure details are listed in Supporting Table SB 18 to SB 19.

SECTION 15 – OTHER SUPPORTED DOCUMENTS

No other supporting documents apart from those mentioned under Annexures are attached.

SECTION 16 – MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, _____, Municipal Manager of Greater Tzaneen Municipality, hereby certify that the Adjustment 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.

MR. WALTER SHIBAMBA
GREATER TZANEEN MUNICIPALITY

SIGNATURE: _____

26 February 2018

COMMENTS FROM CORPORATE SERVICES (MR W SHIBAMBA)

Supported

COMMENTS FROM ACTING ENGINEERING SERVICES (MRS HO TSHISEVHE)

Supported

COMMENTS FROM ELECTRICAL ENGINEERING (MR MS LELOPE)

Supported

COMMENTS FROM ACTING PED (MR W SHIBAMBA)

Supported

COMMENTS FROM ACTING COMMUNITY SERVICES (MR A LIVERSAGE)

Recommendations are supported

COMMENTS FROM THE ACTING MUNICIPAL MANAGER (MR W SHIBAMBA)

Supported

RESOLVED TO RECOMMEND

- a) That no adjustment with regard to Operational Expenditure be approved.
- b) That the payment of Legal fees and Insurance claims which may result in unauthorized expenditure be investigated by MPAC.
- c) That the following adjustments with regard to Capital projects be approved.

MIG PROJECTS FOR 2017/2018 FINANCIAL YEAR:

ALLOCATION: R95, 942,000

