

# **GREATER TZANEEN MUNICIPALITY**



## **ADJUSTMENT BUDGET 2019/2020 – 2021/2022**

### **Adjusted Medium Term Revenue and Expenditure Framework**

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# ANNEXURES

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# 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 Services Department
4. Electrical Engineering Services Department
5. Chief Financial Officer Department
6. Planning and Economic Development Department
7. Community Services Department

# **PART 1**

## **SECTION 1 – INTRODUCTION**

### **1. PURPOSE OF THE REPORT**

The purpose of this report is to inform Council of the 2019/2020 budgeted versus the actual figures and to obtain Council's approval to revise the approved 2019/2020 Annual Budget through an Adjustment Budget.

### **2. 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.

Despite the fact that Section 23 of the Budget regulations published on 17 April 2009 provides that only one adjustment budget may be tabled to Council during a financial year except when additional Revenue is allocated to the Municipality by National Treasury or Provincial Treasury, National Treasury informed the Municipality during October 2019 that the Municipality approved an unfunded budget for the 2019/2020 financial year which should be adjusted through an Special Adjustment Budget.

The advice from National Treasury is based on the fact that Section 18 of the MFMA prohibits Municipalities to adopt an unfunded budget and Greater Tzaneen Municipality together with 125 other Municipalities were afforded the opportunity to rectify the unfunded budget through a Special Adjustment Budget. One of the conditions attached to the opportunity to rectify the situation is that a detailed plan be drafted and approved to reverse the current situation.

The detailed plan which was approved by Council is the Municipalities schedule of activities and events detailing all actions and activities involved in leading the Municipality from an unfunded budget to a funded budget and still ensuring that proper and sustainable services are provided to communities.

Limpopo Provincial Treasury assessed the Municipalities 2019/2020 Special Adjustment Budget and made recommendations which must be tabled to Council. The recommendations and actions to be taken is included in this report.

It is therefore essential that the Adjustment requests be considered within the framework of the Special Adjustment Budget as well as the Municipalities detailed plan to reverse Council's initial unfunded budget as approved by Council and National Treasury.

The Special Adjustment Budget was treated as an Adjustment Budget and the Adjustment Budget report, supporting documents and detailed plan were approved by Council and forwarded to National Treasury and Provincial Treasury for consideration.

The IDP on the other hand was not changed nor submitted to Council and National Treasury for consideration. The IDP and PMS will have to be adjusted during the February 2020 Adjustment Budget process to ensure alignment between the IDP, Budget and Performance Management System.

## 2.1 Mopani District Municipality

Apart from the legislative requirements Council is also informed that the 2019/2020 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.

## 2.2 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 the following adjustments/additions with regard to Operational Expenditure be approved.

- Ward Committees	R 2 700 000
- Security	R 5 000 000
- Legal Cost	R 5 000 000
- Distribution Network (Electricity)	R 3 500 000
- mSCOA	R 2 000 000
- Council owned land (Parks)	R 50 000
- Subsistence and Travelling (licensing)	R 100 000
- Consultants – Professional fees (MM)	R 500 000
- Rental: Computers (Corp service)	<u>R 200 000</u>
	<u>R19 050 000</u>

That council takes note that adjustments/additional allocations to the amount of R 16 650 000 are not cash backed and that this amount be financed by savings through budget managements

That the following items be reduced to accommodate some of the overspendings mentioned above

- Contracted services EPWP	R 2 000 000
- Storm water/ drainage and bridges	<u>R 400 000</u>
	<u>R 2 400 000</u>

b) That the following adjustments/additional allocations with regard to Capital projects from own funding be approved.

- Tickeyline to mahwibidung stormwater	R 561 967
- 2 X New generators for engineering services	R1 520 000
- Upgrading of morutji to matswi/kheshokolwe road	R 2 693 273
- Purchase of tar cutter machine and small Compactor	R 100 000
- Upgrading of old fire station building and Civic center	<u>R 3 200 000</u>
	<u>R 8 075 240</u>

That the following projects on the Budget be reduced to accommodate the additional amounts requested on the Capital Budget:-

### Capital Budget

- Purchase of geographical information system equipment	R 800 000
- New generator for Tzaneen dam water works	R 300 000
- Purchase of fleet 1xTLB, 1 excavator, 2x waste trucks, 1x Low bed	R 2 500 000
- Additions to existing Tzaneen stores including fencing	R 750 000
- Purchase of the mayoral car	R 700 000
- Rehabilitation of haenertsburg cemetery road	R 100 000
- Purchase of the speaker's car	R 700 000
- New generator for head office	R 400 000

### Operational projects- Engineering services

- Vehicle tracking system	R 500 000
- Storm water/ drainage and bridges	R 600 000
- Contracted services aerodrome	R 300 000
- Gravel roads	R 425 240
	<u>R 8 075 240</u>

- c) That the following adjustment with regard to Capital projects from Grant funding be included in the Adjustment.

### IIPSA Grant

Project Name and Location	Budget 2019/20	Adjustment Budget
expansion of Waterbok 33/11KV Substation	R 0	R 1 000 000
Expansion of Blacknoll 33/11KV Substation	R 0	R 1 000 000
Replace 2 x 15 MVA 66/11 kv(linked to revenue on new electricity connections) with bigger capacity	R 0	R 4 000 000
Addition SS1 electrical substation circuit breakers with compact switchgear	R 0	R 4 000 000
<b>Total</b>	<b>R 0</b>	<b>R 10 000 000</b>

**MIG projects**

<b>Project Name and Location</b>	<b>Budget 2019/20</b>	<b>Adjustment Budget</b>
Mopye High School Access Road	R 14 365 700	R 5 314 812
Paving of Nelson Ramodike High School Access road to school	R 4 402 376	R 7 561 513
Tarring Nkowankowa A Codesa and Hani Street	R 3 000 000	R 243 596
Mulati Access road Paving	R 19 134 345	R 15 222 658
Upgrading of Access Road Mbambamencisi:Phase	R 2 968 065	R 2 636 425
Upgrading of Khujwana to Lenyenye Access Road	R 19 554 712	R 23 280 579
Relela Access Road:	R 4 402 376	R 6 972 715
Matapa to Leseka Access Road to School:	R 4 402 376	R 10 430 869
Paving of moseanoka to Cell C Pharare internal streets in ward 28	R 2 000 000	R 3 000 000
Paving of Risaba, Mnisi, shando, to Driving school internal streets in ward 5	R 2 000 000	R 2 800 000
Paving of main road from Ndhuna mandlakazi, Efrika, Zangoma, Mpenyisi to Jamba Cross internal streets( in ward 13, Mandlakazi) and Nwamitwa bridge via Nhlengeleti school to taxi rank, clinic via Lwandlamoni school to Nwamitwa/Mandlakazi road(in ward12)	R 2 000 000	R 3 851 021
Mawa B12 low level bridge	R 2 000 000	R 2 115 763
New Lenyenye Taxi Rank	R 8 119 900	R 5 119 900
High Mast Lights at Dan Village	R 1 200 000	R 1 000 000
PMU Administration	R 4 713 150	R 4 713 150
	<u>R 94 263 000</u>	<u>R 94 263 000</u>

- d) That the following roll over projects, financed from Conditional Grants, approved by National Treasury, be included in the Adjustment Budget.

The following projects are linked to the INEP Grant:

<b>Project name</b>	<b>Budget</b>	<b>Expenditure to date</b>
- Electrification of Marckery Village	R 44 288.28	

- Electrification of Zanghoma Village	R 15 763.90	
- Electrification of Mariveni Village	R 13 957.66	
- Electrification of Nabane Village	R 254 323.05	
- Electrification of Mbhekwana Village	R 562 882.54	R 333 526.75
- Electrification of Madawa Village	R3 122 236.49	R 1 792 184.59
- Electrification of Gabaza Village	R 913 221.99	R 836 440.74
- Electrification of Relela Village	R 23 940.19	
<b>Total</b>	<b>R 4 950 614.10</b>	<b>R 2 962 152.08</b>

e) That the following INEP projects ( operational projects on the 2019/2020 budget) be approved by council to ensure that the SDBIP can be aligned with the operational projects

<b>Project Name</b>	<b>Total Project Value</b>	<b>Expenditure to date</b>
Electrification of 93 households at Motseteng Village	R 1 561 470.00	R 224 461.35
Electrification of 160 households at Lenyenye	R 2 686 400.00	R 1 643 974.68
Electrification of 61 households at Tshamahansi village	R 1 024 190.00	
Electrification of 307 households at Ntsako Village	R 5 154 530.00	R 325 000.00
Electrification of 80 households at Mulati Village	R 1 343 200.00	R 124 830.00
Electrification of 140 households at Mohlaba Cross(Shikwambana)	R 2 350 600.00	R 87 600.00
Electrification of 240 households at Mavele	R 4 032 710.00	
Electrification of 110 households at Dan Village	R 1 846 900.00	R 87 600.00
<b>Total</b>	<b>R 20 000 000.00</b>	<b>R 2 493 466.03</b>

f) That the following DBSA (loan) projects be approved by council to ensure that the SDBIP can be aligned with the capital budget

<b>Project</b>	<b>Budget</b>
Installation of new Entrance streetlights R71 (Adshade bridge to the Voortrekker street robot)	500 000.00
Area Lighting at R36 Kujwana turn off	300 000.00
Renewal Repairs and maintenance on prepaid meters and infrastructure in phases (Mieliekloof & Tarentaalrand)	300 000.00

Miniature substation Urban distribution networks in phases	800 000.00
Substation Tripping Batteries in phases (Letsitele Valley)	100 000.00
Provision of Electrical Tools (Customer Retail)	50 000.00
Provision of Electrical tools (Operation and Maintenance)	50 000.00
Replacement of Existing Air Conditioners in Municipal Buildings in phases	150 000.00
Rebuilding of Lines- Green frog-Haenertsburg in phases	1 050 000.00
Rebuilding of lines Gravelotte – De Neck in phases	1 000 000.00
Rebuilding of 33 KV lines – Lalapanzi – Waterbok in phases	600 000.00
Rebuilding of Mashutti 11kv line in phases	400 000.00
Rebuilding of Deeside 11kv line in phases	600 000.00
Rebuilding of Yarmona and Shivurali 11kv line in phases	600 000.00
Rebuilding of Ledzee 11kv line from LZ44 to Vandergryp Farm in phases	1 400 000.00
Rebuilding of lines – Letsitele Valley substation – Bosbou and all T offs in phases	500 000.00
Rebuilding of Rooikoppies 11kv lines in phases	500 000.00
Rebuilding of Mieliekloof and Deerpark 11kv lines in phases	500 000.00
Rebuilding of Letaba Feeder 33KV line in phases	1 000 000.00
Substation Fencing at major substations in phases (Letsitele Main Substation)	500 000.00
Replace 2 x 15 MVA 66/11 Kv Transformers with 2 x 20 MVA at Tzaneen Mainsub Phase 1 and 2	6 600 000.00
Replace 11kv and 33kv Auto reclosers per annum (x4)	1 000 000.00
Refurbishment of the Ebenhezer 33kV Feeder (2,5 km)	1 000 000.00
Rebuilding of Valencia 11Kv lines in phases	500 000.00
	<b><u>20 000 000.00</u></b>

### Roll-over Projects

Project Title	Budget Remaining Roll Over to 19/20
Streetlights R36	R 49 156.45
Replace 2 x 20 MVA 66/11 kV at Tzaneen main sub (+R4 Million from STD)	R 4 778 414.76

Substation Tripping Batteries (Item B53 6/14)	R	646 591.29
Provision of Capital Tools (Customer and Retail Services)	R	87 025.00
Provision of Capital tools (Operations and Maintenance)	R	91 574.93
Replacement of Existing Air Conditioners	R	250 000.00
Rebuilding of Rooikoppies 11kv lines	R	223 320.14
Rebuilding of Mabiet 11kv lines	R	934 782.59
Rebuilding of Haenertsburg 11kv lines	R	315 810.26
Rebuilding of Campsies Glen 11kv lines	R	342 292.47
Rebuilding of Politsi Valley 11kv lines	R	296 047.41
Rebuilding of Mieliekloof / Deerpark 11kv lines	R	467 391.30
Upgrading of Waterbok 33/11KV Substation	R	1 800 622.72
Upgrading of Blacknoll 33/11KV Substation	R	1 726 757.42
Houtbosdorp 11KV Ring	R	326 537.55
Replace 11 kV and 33 kV Auto reclosers per annum (Item B53 6/14)	R	511 349.28
<b>Total</b>	<b>R</b>	<b>12 847 674.00</b>

- g) 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 2020, and that the additional requests that could not be accommodated in the Adjustment Budget be managed through virements.
- h) That special attention be given to Credit Control to ensure that the required revenue is generated.
- i) 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.
- j) 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.
- k) That no Adjustment be effected on the Water and Sewer budgets.



- l) That no Adjustment be approved for GTEDA and that possible overspending on line items be accommodated by virements.
- m) That the cash flow of the Municipality be managed to ensure that all liabilities of the Municipality are met at year-end.
- n) That adjustments be effected on the Municipalities B Schedules to ensure alignment with the mSCOA data strings.
- o) That the recommendations from Limpopo Treasury regarding the Special Adjustment Budget be addressed.
- p) That an amount of R144 009.75 SETA Grant received from SETA be included in the revenue as well as the Expenditure Budgets.

## **SECTION 5 – EXECUTIVE SUMMARY**

### **1. INTRODUCTION**

#### **1.1 Mopani District Municipality**

The district consist of five Local Municipalities: Ba-Phalaborwa, Greater Giyani, Greater Letaba, Greater Tzaneen and Maruleng.

The seat of Mopani is Giyani, and the District is part of the Great Limpopo Transfrontier Park. It comprises 20 011 km<sup>2</sup> and the main Economic sectors are, Mining (30, 1%), Community Services (22, 6%), Trade (14, 6%), Finance (14, 6%), Transport (8, 2%), Agriculture (3, 2%), Electricity (2, 8%) and construction (2%).

The Demographic information can be summarized as follows:

- Population: 1 159 185
- Households: 338 427
- Population Growth: 1,35% p/a
- Formal Dwellings: 90,7%

Mopani district Municipality is the Water and Sewer Services Authority whilst Greater Tzaneen Municipality and the other four Municipalities are the Water and Sewer services providers.

The day to day activities of these services are performed by the Municipalities and the Municipalities must therefore manage the budgets of these services to ensure that no overspending takes place. Only Mopani District Municipality can approve adjustments to the Water and Sewer Services Budgets.

## **1.2 Greater Tzaneen Municipality**

The Greater Tzaneen municipality is a Category B Municipality situated in the Eastern Quadrant of Limpopo Province within the Mopani district and comprises an area of 2 897 km<sup>2</sup>. The Main Economic Sectors are, Community Services (31, 7%), Finance (23, 8%), Trade (10, 2%), Agriculture (7, 6%) and manufacturing (3, 7%).

The demographic information can be summarized as follows:

- Population: 416 146
- Households: 122 776
- Population Growth: 1,50% p/a
- Formal Dwellings: 88,8%

The Municipality Governs the Local Government affairs of its Communities subject to National and Provincial Legislation. The Executive and Legislative Authority of the Municipality is vested in the Municipal Council.

As the Municipality is only the Water and Sewer Service Provider and not the Authority the Municipal Council does not have the authority to approve and effect changes / adjustments on the approved water and sewer budgets.

## **1.3 2019/2020 Special Adjustment Budget Assessment**

### **1.3.1 Background**

During October 2019 Greater Tzaneen Municipality was informed by National Treasury that the Municipality adopted an unfunded Budget for the 2019/2020 financial year, which may lead to financial distress and cash flow problems. Section 18 of the MFMA prohibits the adoption of an unfunded Budget and failure to comply with these requirements may lead to Provincial Intervention.

Treasury afforded the Municipality an opportunity to draft a Special Adjustment Budget to rectify the unfunded budget and a high level assessment was conducted by Limpopo Treasury. The findings and recommendations are discussed under deliberations of this report.

## **2. DELIBERATIONS**

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.

During October 2019 Greater Tzaneen Municipality together with 125 other Municipalities were informed by National Treasury that their 2019/2020 Budgets are not funded by realistic anticipated revenue which may lead to financial distress. This notification is part of the National and Provincial spheres of Governments oversight responsibility to ensure that Municipalities are managed as effective and efficient organizations that are financially stable and provide sustainable services to its communities.

To address the unfunded budget Council adopted a Special Adjustment Budget for the 2019/2020 financial year which focusses on the restructuring of budget priorities through a holistic approach.

The adjusted budget aims to secure the Municipalities ability to meet its obligations, provide basic services and honour all financial commitments within legislative time frame.

## **2.1 Treasury Inputs on Special Adjustment Budget Assessment**

As part of the oversight role of Local Government finances, the Provincial Treasury is responsible for assessing the Adjustment Budgets of Municipalities in terms of Quality and Compliance with prescripts to the MFMA and Budget and Reporting Regulations.

A high level assessment was conducted by Provincial Treasury and the following recommendation were forwarded to the Municipality:

### **2.1.1 Recommendations**

- Municipality to be more conservative when projecting revenue in future budget periods.
- Operating revenue budget to include only revenue that will be generated in the current year.

- Municipality to put in place measures to improve Waste Management revenue.
- Budget must consider the Regulations on Cost Containment.
- Non-Cash items to be in line with prior year trends.
- Closing balance in the cash flow statement to reconcile with the cash and call investment deposits.
- mSCOA data strings to correspond with B Schedule Adjustment Budget.
- Municipalities to table Treasuries comments to Council.

The recommendations mentioned above will receive special attention in future budgets by ensuring that:

- The Budget Steering Committee and Councillors are advised that a more conservative approach needs to be adopted in future budgets when projecting revenue in future budget which may result in a reduction in revenue and expenditure amounts.
- That only revenue that will be generated in the current year be included in the budget.
- That Councils resolution to adopt the cost containment measures be reconfirmed and that the future budgets be drafted with full consideration of the cost containment measure as promulgated on an annual basis.
- That non-cash items are kept in line with prior year trends.
- That the closing balances in the cash flow statement be reconciled with the cash and call investment deposits, and
- That the mSCOA data strings correspond with the B Schedule Adjustment Budget.

Limpopo Treasury also advised Municipalities to consider the inputs made in the assessment report and table a report to Council on the actions to be taken to address Treasuries assessment inputs and recommendations.

Most of the key observations/items i.e. employee related cost, depreciation of assets, debt impairment, other materials, material and bulk purchases and contracted services received positive

inputs, there are however items that need to be considered and these items are discussed as follows:

### **2.1.2 Service Charges**

The six month actual service charges, July 2019 to December 2019 amounts to R312 526 328. The anticipated actual income for the 12 months can therefore be regarded as +- R625 052 656. The Municipality was however advised to adopt a conservative approach when estimating revenue and the estimate of R609 672 657 is therefore regarded as realistic.

### **2.1.3 Transfers recognized Operational**

The upwards adjustment of R1 million is due to the following additional grants received:

-	SETA Grant	R 939 106
-	INEP Grant	<u>R 98 000</u> (Rolled forward)
		<u>R1 037 106</u>

### **2.1.4 Outstanding Debt**

The Municipality approached the DBSA regarding assistance with its Revenue/Debt challenges and an agreement has been reached whereby DBSA allocated Grant funding to the amount of R2, 5 million to the Municipality. DBSA appointed Consultants to address inter alia the following:

- Existing situational assessment
- Data Cleansing
- Tariff review and structuring
- Development of a Contribution Policy
- Security of supply and single line diagrams
- Financial analysis and integration, and
- Detailed “road map” and revenue enhancement programme.

### **2.1.5 Transfer of Grants**

The decrease from R 36 million to R 34 million is due to unconditional grants amounts transferred to other operations and additional allocation of R 939 000 received from SETA

### **2.1.6 Other Expenditure**

Other expenditure total consist of debt impairment, contracted services and other expenditure. The amounts compared with in the

AFS consist of other expenditure only, excluding debt impairment and contracted services.

### 2.1.7 Water Management (solid waste management)

Waste services are extended to villages where no cost recovery has been implemented

### 2.1.8 Waste Water Management

Amounts in B schedules represents public toilets for which no cost recovery is in place.

Although the Municipalities 2019/2020 Budget was adjusted to ensure that a funded budget is in place there are always elements, which cannot be predicted, that 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 2019/2020 financial year are discussed below to ensure that Greater Tzaneen Municipality complies with all legislative requirements.

## 2.2 APPROVED OPERATIONAL BUDGET 2019/2020 (Including Labour Cost)

### 2.2.1 BUDGETED INCOME (2019/2020)

Description	2019/2020 Budget	2019/2020 Special Adjustment Budget
Tzaneen Budget	R1 359 163 307	R1 353 200 413
MDM Water Budget	R 71 633 928	R 60 042 538
MDM Sewer Budget	R 13 045 901	R 13 045 901
MDM Environmental Health Budget	R 13 000	R 13 000
Prov. Community Health Budget	R 0	R 0

Total Budget	<u>R1 443 856 136</u>	<u>R1 426 301 852</u>
--------------	-----------------------	-----------------------

## 2.2.2 BUDGETED EXPENDITURE 2019/2020 (Including Labour Cost)

The 2019/2020 expenditure budget which has been approved by Council can be summarized as follows: (This budget includes the capital budget from Grants and Own sources)

Description	2019/2020 Budget	2019/2020 Special Adjustment Budget
Operational Budget Tzaneen	R1 298 694 896	R1 213 717 903
Operational Budget Water MDM	R 66 459 051	R 55 748 494
Operational Budget Sewer MDM	R 9 847 756	R 8 966 923
Operational Budget Environmental Health	R 10 317 183	R 9 973 644
Operational Budget Community Health	R 227 762	R 196 949
Capital Budget: Grants & Own Sources	R 142 484 850	R 142 332 525
Appropriations	<u>(R 84 175 362)</u>	<u>(R 4 634 585)</u>
Total Budget	<u>R1 443 856 136</u>	<u>R1 426 301 852</u>

## 2.3 CASH FLOW PROJECTIONS 2019/2020 (Including Labour Cost)

### 2.3.1 ANTICIPATED ACTUAL INCOME (2019/2020)

Description	Special Adjustment Budget 2019/2020	Actual July 2019 to December 2019	Anticipated Actual Income 12 Months
-------------	--	---	--

Rates	R 140 000 000	R 75 376 247	R 139 000 000
Penalties & collec. charges	R 8 400 000	R 6 078 244	R 11 000 000
Service Charges	R 642 756 757	R326 699 299	R 637 000 000
Rent of facilities and equip.	R 1 972 100	R 488 796	R 977 593
Interest External Investm.	R 4 301 000	R 2 114 064	R 4 228 128
Interest Outstanding Debt	R 25 000 000	R 12 228 663	R 24 457 326
Fines	R 38 501 136	R 1 070 758	R 38 501 136
Licenses & Permits	R 817 000	R 730 161	R 1 460 322
Income Agency Services	R 53 664 291	R 33 983 258	R 60 000 000
Operating Grants & Subs.	R 539 621 445	R369 533 000	R 539 621 445
Other Revenue	R 6 968 123	R 1 353 280	R 2 706 560
Gain On Disp. PPE	R 2 500 000	R 0	R 2 500 000
Income Foregone	<u>(R 38 200 000)</u>	<u>(R 19 039 255)</u>	<u>(R 38 078 510)</u>
<b>Income</b>	<b><u>R1 426 301 852</u></b>	<b><u>R810 616 516</u></b>	<b><u>R1 423 374 000</u></b>
<b>Anticipated Shortfall</b>			<b><u>R 2 927 852</u></b>

The anticipated actual income for the 2019/2020 financial year amounts to R1, 423 Billion which is R2, 9 million less than the budgeted amount.

To ensure that all the money owed to the Municipality is recovered, the Municipality engaged in increased credit control actions which include the appointment of a service provider during October 2018. This initiative already held good results.

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

### 2.3.2 ANTICIPATED ACTUAL EXPENDITURE (2019/2020)

The anticipated actual expenditure can be summarized as follows:

<b>2019/2020 Expenditure Items</b>	<b>2019/2020 Special Adjustment Budget</b>	<b>Actual July 2019 December 2019</b>	<b>Anticipated Actual Expenditure 12 months</b>
--	--	---	---



Salaries	R 297 825 374	R148 590 536	R 297 181 072
Social Contributions	R 70 307 284	R 27 287 700	R 55 000 000
Employee Cost Capitalized	-R 0	R 0	-R 0
Employee Cost Opex	-R 0	-R 0	-R 0
Remuneration Councillors	R 28 302 991	R 13 216 697	R 28 125 131
Bad Debts	R 60 000 000	R 0	R 60 000 000
Collection Cost	R 900 000	R 141 666	R 300 000
Inventory Loss	0	R 0	R 0
Depreciation	R 130 000 000	R 0	R 130 000 000
Repairs & Maintenance	R 43 400 352	R 21 639 137	R 50 143 263
Interest Ext. Borrowing	R 14 658 314	R 7 392 185	R 14 784 370
Bulk Purchases	R 407 300 000	R181 377 129	R 412 754 258
Contracted Serv.	R 76 592 179	R 35 073 275	R 76 592 179
Grants & Sub	R 28 931 106	R 7 174 117	R 28 931 106
Grant & Sub Unconditional	R 5 735 000	R 2 416 055	R 4 832 110
General Expenditures	<u>R 124 651 312</u>	<u>R 89 874 810</u>	<u>R 164 233 687</u>
<b>TOTAL</b>	<b><u>R1 288 603 913</u></b>	<b><u>R534 183 307</u></b>	<b><u>R1 322 877 176</u></b>

Anticipated Over Expenditure	R27 408 274
Provincial share: Vehicle license (no cost to Council)	<u>(R23 590 180)</u>
Anticipated over Expenditure (cost to Council)	<u>R 3 818 094</u>

The anticipated actual Operating expenditure amounts to R1,322 billion which is R27,4 million more than budgeted for, this anticipated over expenditure can be attributed to the anticipated over expenditure on the following items:

- Ward Committee Expenses
- Security Services
- Distribution Network (Electricity)
- mSCOA Implementation
- Legal Cost
- Provincial shared Vehicle License fee
- Other General expenses

### 2.3.3 ANTICIPATED OVER EXPENDITURE THAT SHOULD BE CONSIDERED

- WARD COMMITTEE EXPENSES

After the approval of the 2019/2020 Budget it was resolved that the stipends of Ward Committee members be increased from R1 thousand per month to R1,5 thousand per month with effect from 1 July 2019. If this anticipated over expenditure is not addressed in the Adjustment budget it may result in an over expenditure of R2,7 million on the Budget. It is therefore recommended that R2,7 million be made available, through the Adjustment Budget, to accommodate the additional expenditure.

- SECURITY SERVICES

The anticipated over expenditure on this line item is due to a high level of theft experienced at electricity substations and as well as the fact that the lives of officials were threatened. Additional security services had to be obtained to ensure that the losses suffered by Council is addressed and that the electricity supply to consumers is stable and uninterrupted. To comply with the requirements of the Constitution additional security had to be sourced to ensure that the officials of the municipality have a safe working environment. The security has been appointed through section 36 of the supply chain management regulations which guided the deviation. An amount of R5 million is needed to cover the cost of the security services.

- DISTRIBUTION NETWORK (ELECTRICITY)

Due to the theft of electricity cables and the high level of theft at substations this line item may overspend if not addressed. Additional provision will have to be made for the repairs and maintenance of the network to ensure that an uninterrupted electricity service is provided to our consumers. Due to the fact that savings cannot be identified it is recommended that an amount of R3,5 million be provided for this purpose.

- mSCOA IMPLEMENTATION

An amount of R2,0 million is needed to ensure that the Municipality implements mSCOA during the 2019/2020 financial year. Implementation of this system is compulsory and National Treasury and Provincial treasury assesses the implementation progress on a regular basis.

- LEGAL SERVICES

An amount of R12 547 665 has been budgeted for Legal fees and the expenditure for the first 6 months amounts to R15 325 472, which represents 122,1% of the budgeted amount. This is a matter of concern and will have to be addressed during the Adjustment Budget Process and it should be investigated by

MPAC. An amount of R 5 million is needed to address this problem

- **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 R22 636 090 which represents 104,4% of the budgeted amount. This expenditure represents the Provincial share of the vehicle license fee and has no cost implication for council. Funds are received and paid over to the Department of Transport. Although revenue is generated through this service (Agency Fees) Municipalities may not overspend the expenditure budgets. It is however not possible to determine to what extent people from other towns will make use of Greater Tzaneen Municipal Offices to obtain or renew their vehicle licences.

The anticipated overspending will have to be considered during the Adjustment Budget process.

- **OTHER GENERAL EXPENDITURE**

This vote represents fruitless expenditure as no provision was made on the Budget to accommodate the expenditure. The expenditure allocated against this vote can be summarized as follows:

- Interest on late payment of ESKOM accounts.
- Penalties on late payment of the Compensation Commissioners account.
- Rental of Office space for the National Youth Development Agency.

The expenditure on these items mounts to R2 224 650.98 and will have to be addressed through virements as savings cannot be identified to accommodate the expenditure.

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

Other items that may result in overspendings on certain votes if not managed are:

- **REPAIRS AND MAINTENANCE**

Distribution Network Electricity

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.

Sufficient provision must be made on future Budgets to ensure that Council's assets are maintained and that Council's vehicles are available to provide uninterrupted services.

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

#### 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.

2.4 A SUMMARY OF THE ANTICIPATED ACTUAL INCOME AND EXPENDITURE FOR THE 2019/2020 FINANCIAL YEAR (Including Labour cost)

Anticipated Income 30/06/2020	R1 423 374 000
Anticipated Expenditure 30/06/2020	<u>R1 299 286 996</u> Excl Prov Vehicles
Anticipated Surplus	R 124 087 004
Capital Expenditure	R 142 332 525
Appropriations	<u>(R 91 040 350)</u>
Anticipated surplus	R 72 794 829
Surplus on Special Adjustment Budget	<u>R 79 540 764</u>
Anticipated Shortfall	<u>R 6 745 935</u>

As the shortfall only represents 0,4% 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 2019/2020 Special Adjustment Budget will have to be managed to ensure that no overspending occurs.

2.5 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 first six months.

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

ACTUAL VOTE/DEPARTMENT	2019/2020 BUDGET	ACTUAL FOR 6 MONTH
Municipal Manager	R 71 885 323	R42 510 485
PED	R 29 217 293	R15 384 721
Financial Services	R 100 712 446	R50 039 798
Corporate Services	R 60 466 264	R28 931 270
Engineering Services	R 208 290 863	R108 326 922
Community Services	R 255 652 794	R130 977 816
Electrical Services	<u>R 562 378 941</u>	<u>R275 512 294</u>

The above mentioned figures which include 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 Department of the Municipal Manager, PED and Community Services, departments are within their budget.

## 2.6 ADJUSTMENT REQUESTS

The requests attached as Annexure "A" for adjustments on the 2019/2020 approved budget have been received from Directors.

## 2.7 MFMA REQUIREMENTS

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.

## 2.8 ADJUSTMENTS

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

- Roll over projects from the 2018/2019 financial year financed through own funds.
- Roll over Capital projects from the 2018/2019 financial year financed through Government Grants (Conditional Grants)
- Adjustments to accommodate operational requests.
- Adjustments to accommodate Capital requests from own funding
- Adjustments to accommodate Dora allocations

These adjustments are discussed as follows:

### 2.8.1 Roll-Over Projects From 2018/2019 Financial Year Financed Through Own Funds

No roll-over from own funds was approved by Council as no request was forwarded for approval.

### 2.8.2 Roll-over Capital Projects from the 2018/2019 Financial Year through Government Grants (Conditional Grants)

A roll-over application from the Municipality for an amount of R4,950 million with respect to the Integrated National Electrification Programme Grant was approved by National Treasury.

The following projects are linked to the INEP Grant:

<b>Project name</b>	<b>Budget</b>	<b>Expenditure to date</b>
- Electrification of Marckery Village	R 44 288.28	
- Electrification of Zanghoma Village	R 15 763.90	
- Electrification of Mariveni Village	R 13 957.66	
- Electrification of Nabane Village	R 254 323.05	
- Electrification of Mbhekwana Village	R 562 882.54	R 333 526.75
- Electrification of Madawa Village	R3 122 236.49	R 1 792 184.59
- Electrification of Gabaza Village	R 913 221.99	R 836 440.74
- Electrification of Relela Village	R 23 940.19	
<b>Total</b>	<b>R 4 950 614.10</b>	<b>R 2 962 152.08</b>

### DBSA Roll over projects from loans

<b>Project Title</b>	<b>Budget Remaining Roll Over to 19/20</b>
Streetlights R36	R 49 156.45
Replace 2 x 20 MVA 66/11 kV at Tzaneen main sub (+R4 Million from STD)	R 4 778 414.76
Substation Tripping Batteries (Item B53 6/14)	R 646 591.29
Provision of Capital Tools (Customer and Retail Services)	R 87 025.00
Provision of Capital tools (Operations and Maintenance)	R 91 574.93
Replacement of Existing Air Conditioners	R 250 000.00
Rebuilding of Rooikoppies 11kv lines	R 223 320.14
Rebuilding of Mabiet 11kv lines	R 934 782.59
Rebuilding of Haenertsburg 11kv lines	R 315 810.26
Rebuilding of Campsies Glen 11kv lines	R 342 292.47
Rebuilding of Politsi Valley 11kv lines	R 296 047.41
Rebuilding of Mieliekloof / Deerpark 11kv lines	R 467 391.30
Upgrading of Waterbok 33/11KV Substation	R 1 800 622.72
Upgrading of Blacknoll 33/11KV Substation	R 1 726 757.42
Houtbosdorp 11KV Ring	R 326 537.55
Replace 11 kV and 33 kV Auto reclosers per annum (Item B53 6/14)	R 511 349.28
<b>Total</b>	<b>R 12 847 674.00</b>



### 2.8.3 Adjustments to Accommodate Operational Requests

#### GTEDA

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

#### Greater Tzaneen Municipality

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 R 16 650 000 million additional requests, the following criteria be used to determine the adjustments to the approved budget.

- That Directors motivate each request which needs to be regarded as critical in an attempt to reduce the additional requests.

After careful consideration the Budget Steering Committee resolved that the following requests be accommodated:

- Ward Committee expenses	R 2 700 000
- Security Services	R 5 000 000
- Legal Cost	R 5 000 000
- Distribution Network Electricity	R 3 500 000
- mSCOA Implementation	R 2 000 000
- Councils owed land (parks)	R 50 000
- Subsistence and Travelling fees (licensing)	R 100 000
- Consultants and Professional Fees (MM)	R 500 000
- Rental: Computers (Corporate services)	R 200 000
	<u>R19 750 000</u>

That council takes note that adjustments/additional allocations to the amount of R 16 650 000 are not cash backed and that this amount be financed by savings through budget managements

That the following savings be utilized to accommodate some of the overspending mentioned above

- |                                 |             |
|---------------------------------|-------------|
| - Contracted services EPWP      | R 2 000 000 |
| - Storm water drainage/ bridges | R 400 000   |

#### 2.8.4 Adjustments to Accommodate Capital Requests

Additional requests on the approved 2019/2020 Capital program can be summarized as follows:

##### **Grant funding**

- |               |             |
|---------------|-------------|
| - IIPSA Grant | R10 000 000 |
|---------------|-------------|

##### **Own funding**

- |   |                    |
|---|--------------------|
| - Tickeyline to mahwibidung stormwater                    | R 561 967          |
| - 2 X New generator for engineering services              | R 1 520 000        |
| - Upgrading of morutji to matswi/kheshokolwe road         | R 2 693 273        |
| - Purchase of tar cutter machine and small compactor      | R 100 000          |
| - Upgrading of old fire station building and civic center | <u>R 3 200 000</u> |
|   | <u>R 8 075 240</u> |

That the following projects on the Budget be reduced to accommodate the additional amounts requested on the Capital Budget:-

#### **Capital Budget**

- |   |             |
|---|-------------|
| - Purchase of geographical information system equipment             | R 800 000   |
| - New generator for Tzaneen dam water works                         | R 300 000   |
| - Purchase of fleet 1xTLB, 1 excavator, 2x waste trucks, 1x Low bed | R 2 500 000 |
| - Additions to existing Tzaneen stores including fencing            | R 750 000   |
| - Purchase of the mayoral car                                       | R 700 000   |
| - Rehabilitation of haenertsburg cemetery road                      | R 100 000   |
| - Purchase of the speaker's car                                     | R 700 000   |
| - New generator for head offices                                    | R 400 000   |

#### **Operational projects- Engineering services**

- |                           |           |
|---------------------------|-----------|
| - Vehicle tracking system | R 500 000 |
|---------------------------|-----------|

- Storm water/drainage and bridges	R 600 000
- Contracted services aerodrome	R 300 000
- Gravel roads	<u>R 425 240</u>
	<u>R 8 075 240</u>

#### 2.8.5 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 13<sup>th</sup> of December 2019 Government Gazette no. 42907 was published but no charge to Grants allocated to Tzaneen has been approved.

### 2.9 WATER

During the first six months of this financial year none of the R28 258 538 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 incur 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.

### 2.10 mSCOA

Adjustments need to be effected on Council's B schedules to ensure alignment with the mSCOA Data Strings as discussed with National treasury. The mSCOA data strings will have to be forwarded to Provincial treasury not later than 15 February 2020 to be assessed by Province.

### 2.11 SUMMARY

An additional amount of R36 848 287.67 will be effected on the Municipalities 2019/2020 Adjustment Budget.

This amount can be divided into different categories:

- Roll-overs approved by National Treasury (Capital)	R	0.00
- Roll-overs approved by Council (Capital)	R	0.00
- Adjustments to accommodate Operational requests	R19 050 000.00	
- Adjustments to accommodate DORA allocations	R	0.00
- Adjustments to accommodate Capital requests	R	0.00
- Roll-overs on DBSA		R12 847 673.57
- Roll-overs on INEP Grant		<u>R 4 950 614.10</u>
TOTAL ADDITIONAL REQUESTS		<u>R36 848 287.67</u>

The R12,8 million roll-overs from DBSA loan and R4,9 million from the INEP grant as well as R 2,4 million on the operational requests are cash back but no saving could be identified to accommodate the operational requests of R 17 million

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

## 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 as adjusted through a Special Adjustment budget approved during October 2019 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 of our Municipality’s 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. B.S. MATLALA  
GREATER TZANEEN MUNICIPALITY

SIGNATURE: \_\_\_\_\_

28 February 2020

**DEPARTMENTAL COMMENTS**

**COMMENTS FROM CORPORATE SERVICES**

**COMMENTS FROM ENGINEERING SERVICES**

**COMMENTS FROM ELECTRICAL ENGINEERING**



**COMMENTS FROM PED**

**COMMENTS FROM COMMUNITY SERVICES**

**COMMENTS FROM THE CFO**

**COMMENTS FROM THE MUNICIPAL MANAGER**