

GREATER TZANEEN MUNICIPALITY



ADJUSTMENT BUDGET 2018/2019 – 2020/2021

Adjusted Medium Term Revenue and Expenditure Framework

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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 Department
4. Electrical Department
5. Chief Financial Officers 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 2018/2019 budgeted versus the actual figures and to obtain Council's approval to revise the approved 2018/2019 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 2018/2019 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 the following adjustments with regard to Operational Expenditure be approved.

COMMUNITY SERVICES (2018/2019 FINANCIAL YEAR)

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
ADMINISTRATION TRANSPORT, SAFETY, SECURITY AND LIAISON	140 074 1263	CONTRACTED SERVICES - SECURITY SERVICES	10 000 000	3 000 000	13 000 000
			10 000 000	3 000 000	13 000 000

ELECTRICAL ENGINEERING SERVICES (2018/2019 FINANCIAL YEAR)

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
Operations and maintenance : Rural	173 066 1130	Distribution networks	13 308 733	3 000 000	16 308 733
Operations and maintenance : Urban	183 066 1215	Council owned buildings	403 697	200 000	603 697
			13 712 430	3 200 000	16 912 430

PLANNING AND ECONOMIC DEVELOPMENT (2018/2019 FINANCIAL YEAR)

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
Administration	012 078 1355	Recognition day	50 000	-50 000	0
Local economic development	014 078 1310	Consultants and professional fees	53 432	-20 000	33 432
Town & regional planning	015 078 1301	Advertising- General	160 000	-80 000	80 000
Housing administration & property valuation	016 066 1211	Council owned land	29 987	-29 987	0
Housing administration & property valuation	016 078 1308	Conference & convention cost - domestic	7 979	-7 979	0
Housing administration & property valuation	016 078 1333	Legal fees - other	20 000	-20 000	0
			321 398	-207 966	113 432

**ENGINEERING (2018/2019
FINANCIAL YEAR)**

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
Roads & stormwater management	063 024 0248	Cost recovery - Railway sidings	-500 000	500 000	0
Roads & stormwater management	063 066 1142	Gravel roads	11 650 313	849 687	12 500 000
Buildings & Housing	103 0781323	Electricity - ESKOM	500 000	300 000	800 000
			11 650 313	1 649 687	13 300 000

**MUNICIPAL MANAGER (2018/2019
FINANCIAL YEAR)**

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
Legal services	058 078 1333	Legal fees - Other	12 524 000	4 500 000	17 024 000
			12 524 000	4 500 000	17 024 000

**BUDGET AND TREASURY OFFICE (2018/2019
FINANCIAL YEAR)**

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
Administration Finance	032 078 1303	Auditors fee	4 000 000	1 500 000	5 500 000
Administration Finance	032 078 1310	Consultant & Prof fee	9 767 000	3 000 000	12 767 000
			13 767 000	4 500 000	18 267 000

**CORPORATE SERVICES (2018/2019 FINANCIAL
YEAR)**

DEPARTMENT/DIVISION	LINE ITEM NUMBER	DESCRIPTION	2018/2019 BUDGET	ADDITIONAL REQUESTS	REVISED BUDGET
Public participation & project support	006 078 1322	Entertainment - Public entertainment	310 000	-254 933	55 067
			310 000	-254 933	55 067

TOTAL

62 285 141 16 386 788 78 671 929

That Council takes note that adjustments/additional allocations to the amount of R16 386 788 are not cash backed and it be financed by savings through budget management.

- b) That the following adjustments with regard to Capital projects be approved.

MIG PROJECTS FOR 2018/2019 FINANCIAL YEAR:

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
ESD-11	Mopye High School Access Road: Phase 1 of 2 and 2 of 2	Engineering Services MIG	Mopye High School Access Road: Phase 1 of 2 and 2 of 2	R 13 600 000	6 500 000	4 613 000	MIG
ESD-12	Paving Nelson Ramodike High School Access road to school Phase 1 of 2 and phase 2 of 3 and 3 of 3	Engineering Services MIG	Paving of Nelson Ramodike High Access road to school	R 32 639 999,99	4 445 038	4 000 000	MIG
ESD-13	Tarring of Nkowankowa B Streets	Engineering Services MIG	Upgrading gravel road to tar	R 15 452 650	0	0	MIG
ESD-14	Maruji to Matshwil Kheshokolwe road from gravel to tar Phase 5 of 5	Engineering Services MIG	Upgrading of gravel road to tar	R59 544 706	32 689 259	38 003 590,81	MIG
ESD-15	Tarring Nkowankowa A Codesa and Hani Street	Engineering Services MIG	Upgrading of gravel road to tar	R 13 212 232	9 212 232	2 613 000	MIG
ESD-19	Mulati Access Road paving phase 1 of 3 and 2 of 3 and 3 of 3	Engineering Services MIG	Mulati Access road Paving Phase 1 of 2 and 2 of 2	R 37 494 193,20	3 253 000	8 332 414	MIG
ESD-20	Paving of Thapane Cross, Mandlakazi to Nwamitwa Phase 1 of 3 (D3248) and 2 of 3 and 3 of 3	Engineering Services MIG	Upgrading gravel road to paved road	R 74 000 000	2 000 000	0	MIG
ESD-22	Leseka to Mampa Primary School road	Engineering Services MIG	Upgrading gravel road to tar road	R 10 000 000	0	0	MIG
ESD-23	Dr. CN Phatudi to Pharare Access Road regravelling and storm water control.	Engineering Services MIG	Storm Water management and major re-gravelling	R 53 000 000	2 000 000	0	MIG
ESD-25	Upgrading of Access Road Mbambamencisi Phase 1 of 3 and 2 of 3	Engineering Services MIG	Upgrading of Access Road Mbambamencisi: Phase 1 of 3	R 8 768 065,01	8 768 065	5 000 000	MIG
ESD-26	Upgrading of Khujwana to Lenyenye Access Road Phase 1 of 3 and 2 of 3 and 3 of 3	Engineering Services MIG	Upgrading of Khujwana to Lenyenye Access Road Phase 1 of 3 and 2 of 3	R 31 942 728	3 253 000	11 291 540,19	MIG
ESD-30	Risaba to Musiphani Road upgrade from	Engineering Services MIG	Risaba to Musiphani Road upgrade from gravel to tar	R 40 000 000	2 000 000	0	MIG

	gravel to tar phase 1 of 4						
ESD-31	Relela Access Road: Phase 1 of 4 Upgrading from gravel to paving	Engineering Services MIG	Relela Access Road: Phase 1 of 4 Upgrading from gravel to paving	R 32 000 000	2 000 000	3 887 000	<u>MIG</u>
ESD-32	Matapa to Leseka access road to school: phase 1 of 4	Engineering Services MIG	Matapa to Leseka to Access Road to School: Phase 1 of 4	R 32 000 000	2 000 000	5 180 049	<u>MIG</u>
ESD-34	Mawa B12 Low level bridge	Engineering Services MIG	Construction of low level bridge	R 3 100 234	3 100 234	1 100 234	<u>MIG</u>
ESD-37	Maweni low level bridge	Engineering Services MIG	Construction of low level bridge	R 5 000 000	0	0	<u>MIG</u>
ESD-101	New Lenyenye Taxi Rank Phase 1 of 2 and 2 of 2	Engineering Services MIG	Construction of taxi rank	R 7 577 322,60	6 478 422	3 678 422	MIG
TOTALS					87 699 250	87 699 250	

PROJECTS FINANCED BY A LOAN FROM DBSA:

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
EED-46	Installation of new Entrance Streetlights R71 Adshade bridge to voortrekker street robot	Electrical department own	Entrance streetlights R71	R 532 000	532 000	0	DBSA loan
EED-47	R71 Deerpark Traffic Circle lights (from Voortrekker street traffic light up to the SANRAL traffic circle)	Electrical department loan	R71 Deerpark Traffic circle lightsSANRAL	R 1 600 000	1 600 000	0	DBSA loan
EED-59	Area Lighting at R36 Kujwana turn off	Electrical department loan	<u>Area Lighting at R36 Kujwana turn off</u>	R 300 000	300 000	0	DBSA loan
EED-116	Renewal Repairs and Maintenance on prepaid meters and infrastructure in Phases (Talana, Politsi, Mieliekloof and Tarentaalrand)	Electrical department loan	Renewal Repair and Maintenance on pre-paid meters and Infrastructure	R 2 400 000	300 000	300 000	DBSA loan
EED-117	Miniature substation Urban distribution networks in Phases	Electrical department loan	Miniature substation Urban distribution networks as directed by (NERSA + (Item B53 6/14)	R 5000 000	800 000	1 000 000	DBSA loan
EED-118	Replacing 11 kV cables due to required increase in	Electrical department loan	Replacing 11kV cables due to required increase in capacity	R 5 000 000	750 000	1 200 000	DBSA loan

	capacity in Tzaneen CBD in phases						
EED-119	Substation Tripping Batteries in Phases	Electrical department loan	Purchase of substation tripping batteries	R 5 900 000	100 000	400 000	DBSA loan
EED-120	Provision of Electrical Tools (Customer Retail)	Electrical department loan	Provision of various tools (1 x Note Book for meter programming, 3 x Earth sets, 3 x 12m stepladders, 3 x 6m step ladders, 2 x electrical cordless drill, 3 x Line building equipments)	R 650 000	150 000	200 000	DBSA loan
EED-121	Provision of Electrical Tools (Operation and Maintenance)	Electrical department loan	Provision of various tools (1 x Note Book for meter programming, 6 x Earth sets, 6 x 12m stepladders, 6 x 6m step ladders, 2 x electrical cordless drill, 6 x Line building equipments, 6 x Link Sticks)	R 650 000	200 000	200 000	DBSA loan
EED-122	Replacement of Existing Airconditioners in Municipal Buildings in Phases	Electrical department loan	Replacement of existing air-conditioners	R 600 000	150 000	250 000	DBSA loan
EED-123	Rebuilding of lines – Green Frog Haenertsburg (6km)	Electrical department loan	Rebuilding of lines	R4 900 000	1 200 000	0	DBSA loan
EED-124	Rebuilding of lines Gravelotte – De Neck (2,5km)	Electrical department loan	Rebuilding of lines	R4 500 000	1 500 000	0	DBSA loan
EED-125	Rebuilding of 33 kV lines – Lalapanzi – Waterbok in phases 1,5 km	Electrical department loan	Rebuilding of lines	R 3 100 000	600 000	0	DBSA loan
EED-126	Rebuilding of Mashutti 11 kV line (2km)	Electrical department loan	Rebuilding of lines	R 2 400 000	400 000	0	DBSA loan
EED-127	Rebuilding of Deeside 11 kV line (2,5km)	Electrical department loan	Rebuilding of lines	R 2 800 000	584 000	0	DBSA loan
EED-128	Rebuilding of Yamorna and Shivurali 11 kV line (4km)	Electrical department loan	Rebuilding of lines	R 2 800 000	584 000	0	DBSA loan
EED-129	Rebuilding of Ledzee 11kV line from LZ44 to Van der Grey Farm (2.5 km)	Electrical department loan	Rebuilding of lines	R 2 700 000	500 000	0	DBSA loan

EED-130	Rebuilding of lines – Letsitele Valley Substation – Bosbou and all T offs in Phases	Electrical department loan	Rebuilding of lines	R 4 000 000	500 000	500 000	DBSA loan
EED-131	Rebuilding of Lushof South 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 2 500 000	500 000	500 000	DBSA loan
EED-132	Rebuilding of Rooikoppies 11kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-133	Rebuilding of Mabiet 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-134	Rebuilding of Haenertsburg 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-135	Rebuilding of Campsies Glen 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-136	Rebuilding of Politsi Valley 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-139	Rebuilding of Mieliekloof and Deerpark 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 1 500 000	500 000	500 000	DBSA loan
EED-140	Rebuilding of Letaba Feeder 33 kV line (2,5km)	Electrical department loan	Rebuilding of lines	R 4 500 000	750 000	0	DBSA loan
EED-143	Substation Fencing at major substations in phase	Electrical department loan	Replaced damaged fencing in Letsitele Main substations	R 2 500 000	500 000	1 000 000	DBSA loan
EED-146	Replace 11 kV and 33 kV Auto reclosers per annum (x5) (ITEM B53 6/14)	Electrical department loan	Replace 11 kV and 33 kV Auto reclosers per annum (Item B53 6/14)	R 7 500 000	1 500 000	3 000 000	DBSA loan
EED-147	Building of new 4 MVA, 33/11 kV Substation at Agatha Meyersrus T off (Phase 1)	Electrical department loan	Building of new substation	R 4 000 000	4 000 000	0	DBSA loan
EED-148	Refurbishment of the Ebenezer 33 kV Feeder (2,5km)	Electrical department loan	Refurbishment of the Ebenezer 33kV Feeder	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED - 153	Rebuilding of Valencia 11 kV lines in Phases	Electrical department loan	Rebuilding of Valencia 11 kv lines	R 1 000 000	500 000	1 000 000	DBSA loan
EED – 17/18/1	New entrance R36 Streetlights at Highgrove Lodge and Mac Donalds	Electrical department loan	Install new streetlights		0	1 100 000	DBSA loan
EED – 17/18/2	Area Lighting at Tarentaalrand Crossing	Electrical department loan	Install new area lightning		0	400 000	DBSA loan

EED – 144	Replace 2 x 15 MVA 66/11 kVA Transformers with 2 x 20 MVA 66/11 kV Transformer at Tzaneen Main sub Phase 1 and 2	Electrical department loan	Replace 2 x 20 MVA 66/11 kV Transformer at Tzaneen main sub	R18 350 000	5 000 000	6 550 000	DBSA loan
EED – 137	Rebuilding of CP Minnaar 11 kV lines 2 km	Electrical department loan	Rebuilding of CP Minnaar 11 kV lines 2 km		0	400 000	DBSA loan
EED – 141	Upgrading of Waterbok 33/11 kV Substation	Electrical department loan	Upgrading of Waterbok 33/11 kV Substation		0	2 000 000	DBSA loan
EED – 142	Upgrading of Blacknoll 33/11 kV Substation	Electrical department loan	Upgrading of Blacknoll 33/11 kV Substation		0	2 000 000	DBSA loan
EED – 17/18/3	Houtbosdorp 11 kV Ring 10 km	Electrical department loan	Houtbosdorp 11 kV Ring 10 km		0	1 500 000	DBSA loan
EED 145	Replacing of old SS1 electrical substation circuit breakers with compact switchgear	Electrical department loan	Replacing of old SS1 electrical substation circuit breakers with compact switchgear		0	10 000 000	DBSA loan
TOTALS					30 000 000	40 000 000	

PROJECTS FINANCED FROM GRANTS:

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
CSD – G1	Construction of bund wall and installation of oil and grease trap	Community services	Constructing of bund wall and installation of oil and grease trap: Erf 2990, Koedoe street.		0	200 000	Grant
CSD – G2	Purchase of drip trays and oil spilt kit	Community services	Purchase of drip trays and oil spilt kit		0	30 000	Grant
TOTALS					0	230 000	

PROJECTS FINANCED FROM OWN FUNDING:

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
ESD-33	Low level bridge at Agatha Cemetry	Engineering services	Construction of low level bridge	R 3 488 768	0	3 488 768	Own

ESD-45	Purchase of crane for Electrical Engineering	Electrical department own	Purchase of crane for electrical engineering	1 500 000	1 500 000	1 400 000	OWN
ESD-MV1	Purchase of nine LDV for Electricity Department	Electrical department own	Purchase of motor vehicles for electrical department		0	1 956 687	Own
ESD-60	Upgrading of old Fire station building and Civic Centre	Engineering services	Alteration to old fire building to create more office and changing of new roof to civic centre building, installation of a lift and new roof for the community services offices including creation of additional parking space	11 756 765	0	2 500 000	Own
ESD-102	Upgrading of Tzaneen Ext 13 internal street from gravel to paving	Engineering Services	Upgrading from gravel to paving	R900 000,00	0	900 000	Own
CSD-98	Grass Cutting machines at Nkowankowa, Lenyenye and Tzaneen	Community services	Purchase grass cutting machines	300 000	300 000	348 000	OWN
GTEDA 157	Purchase of mSCOA printers and programmes	gteda	Office IT and support equipment	R 235 000	235 000	235 000	Own
EED-159	Purchase Office furniture and equipment for the Electrical Engineering Department	Electical engineering own	Purchase office furniture and equipment for the Electrical Engineering department	R 100 000	100 000	0	Own
ESD-160	Purchase Office furniture and equipment for the Engineering Services Department	Engineering services own	Purchase office furniture and equipment for the Engineering Services department	R 100 000	100 000	33 555	Own
MM-161	Purchase Office furniture and equipment for Office of the Municipal Manager	Municipal Manager	Purchase office furniture and equipment for Office of the Municipal Manager	R 100 000	100 000	6 059	Own
CORP-162	Purchase office furniture and equipment for the Corporate Services Department	Corporate Services	Purchase office furniture and equipment for the Corporate Services Department	R 100 000	100 000	38 299	Own

CFO-163	Purchase office furniture and equipment for the Budget & Treasury Department	Budget & Treasury office	Purchase office furniture and equipment for the Budget & Treasury Department	R 100 000	100 000	96 143	Own
PED-164	Purchase office furniture and equipment for the Planning & Economic Department	PED	Purchase office furniture and equipment for the Planning & Economic Department	R 100 000	100 000	13 891	Own
CSD-165	Purchase Office furniture and equipment for the Community Services Department	Community Services	Purchase office furniture and equipment for the Community Services Department	R 100 000	100 000	7 366	Own
TOTALS					2 735 000	11 023 768	

PROJECTS FINANCED BY A LOAN FROM STANDARD BANK:

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
ESD-21	Tickline to Makhwibidung Storm Water Management	Engineering services counter	Storm Water management	R 3 500 000	3 500 000	0	STD loan
ESD-33	Low level bridge at Agatha Cemetery	Engineering services	Construction of low level bridge	R 3 488 768	3 488 768		<u>STD loan</u>
ESD-60	Upgrading of Old Fire Station building and Civic Centre	Engineering services	Alteration to old fire building to create more office and changing of new roof to civic centre building, installation of a lift and new roof for the community services offices including creation of additional parking space	11 756 765	11 756 765		STD loan
ESD-100	Additions to existing Tzaneen Stores including Fencing	Engineering services	Extending the existing stores including fencing	750 000	750 000	0	STD loan
ESD-101	New Lenyenye Taxi Rank Phase 1 of 2 and 2 of 2	Engineering services counter	Construction of Taxi Rank		3 993 235	0	STD loan
ESD-102	Upgrading of Tzaneen Ext 13 internal street from	Engineering services	Upgrading from gravel to paving	R 900 000,00	900 000	0	STD loan

	gravel to paving						
ESD-103	Maintenance of Danie Joubert Street (Police Station to CTM) in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R1 325 562	1 325 562	0	STD loan
ESD-104	Maintenance of Pusela to Van Velden to Billy Maritz street in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 723 230	1 723 230	0	STD loan
ESD-105	Maintenance of 1 st Avenue street in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 060 445	1 060 445	0	STD loan
ESD-106	Maintenance of 3 rd Avenue to Hospitaal to 2 nd Avenue street in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 193 005	1 193 005	0	STD loan
ESD-107	Maintenance of Boundary Street	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 325 566	1 325 566	0	STD loan
ESD-108	Maintenance of Nkowankowa internal streets (Bankuna road to Thambo to Maxakeni)	Engineering services	Patchwork	R 6 627 808	6 627 808	0	STD loan
ESD-109	Maintenance of Lenyenye internal Streets (Main street to Industrial to Stadium to Ithuseng to main street via Police Station)	Engineering services	Patchwork, Fog Spray	R6 627 808	6 627 808	0	STD loan
ESD-111	Maintenance of Vorster Street in Letsitele	Engineering services	Patchwork, Fog Spray	R 530 225	530 225	0	STD loan
ESD-112	Maintenance of Eerste Street in Letsitele	Engineering services	Patchwork, Fog Spray	R 397 668	397 668	0	STD loan
ESD-113	Maintenance of Main CBD street and Parking in Letsitele	Engineering services	Patchwork,	R 927 893	927 893	0	STD loan
ESD-114	Rehabilitation of Haenertsburg Cementry road.	Engineering services	Rehabilitation	R3 872 022	3 872 022	0	STD loan
EED-141	Upgrading of Waterbok 33/11 kV Substation	Electrical department loan	Increasing capacity on the Waterbok 33/11KV Substation: Extension of the plinth, new fencing, provision for a 2nd 2MVA transformer, new busbars, etc	R 1 000 000	1 000 000	0	STD loan

EED-142	Upgrading of Blacknoll 33/11kV Substation	Electrical department loan	Increasing capacity on the Blacknoll 33/11KV Substation: Extension of the plinth, new fencing, provision for a 2nd 2MVA transformer, new busbars, etc	R 1 000 000	1 000 000	0	STD loan
EED-144	Replace 2 x 15 MVA 66/11 kV Transformers with 2 x 20 MVA 66/11 kV Transformers at Tzaneen Main Sub Phase 1 and 2	Electrical department loan	Replace 2 x 15 MVA 66/11 kV Transformers with 2 x 20 MVA 66/11 kV Transformers at Tzaneen Main Sub Phase 1 and 2	R 4 000 000	4 000 000	0	STD loan
EED-145	Replacing of Old SS1 electrical substation circuit breakers with compact switchgear	Electrical department loan	Replacing of old SS1 electrical substation circuit breakers with compact switchgear, installation of a 11KV mini-sub	R 4 000 000	4 000 000	0	STD loan
TOTALS					60 000 000	0	

That Council takes note that adjustments/additional projects to the amount of R8 288 768 are not cash backed and it be financed by savings through Budget Management

- c) That no adjustment with regard to DORA Grant allocations be effected.
- d) That no roll over project, financed from Conditional Grants, approved by National Treasury, be included in the Adjustment Budget.
- e) That no adjustment with regard to roll-over projects, from own funds on the Adjustment Budget be effected.
- f) 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 2019, and that the additional requests that could not be accommodated in the Adjustment Budget be managed through virements.
- g) That special attention be given to Credit Control to ensure that the required revenue is generated.
- h) 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.

- i) 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.
- j) That no Adjustment be effected on the Water and Sewer budgets.
- k) That no Adjustment be approved for GTEDA and that possible overspending on line items be accommodated by virements.
- l) That the cash flow of the Municipality be managed to ensure that all liabilities of the Municipality are met at year-end.
- m) 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 2018/2019 financial year are discussed below to ensure that Greater Tzaneen Municipality complies with all legislative requirements.

5.1 APPROVED OPERATIONAL BUDGET (2018/2019)

5.1.1 BUDGETED INCOME (2018/2019)

Description	Amount
Tzaneen Budget	R1 176 762 573
MDM Water Budget	R 70 007 921
MDM Sewer Budget	R 12 785 901
MDM Environmental Health Budget	R 25 000
Prov. Community Health Budget	R 0
Total Budget	<u>R1 259 581 395</u>

The 2018/2019 expenditure budget which has been approved by Council can be summarized as follows: (This budget includes the capital budget from Grants and Own sources)

5.1.2 BUDGETED EXPENDITURE (2018/2019)

Description	Amount
Operational Budget Tzaneen	R1 150 360 638
Operational Budget Water MDM	R 62 780 268
Operational Budget Sewer MDM	R 11 637 532
Operational Budget Environmental Health	R 11 882 723
Operational Budget Community Health	R 227 762
Capital Budget: Grants & Own Sources	R 195 199 250
Appropriations	<u>(R 172 506 777)</u>
Total Budget	<u>R1 259 581 395</u>

5.2 CASH FLOW PROJECTIONS (2018/2019)

5.2.1 ANTICIPATED ACTUAL INCOME (2018/2019)

Description	Budget 2018/2019	Actual July 2018 to December 2018	Anticipated Actual Income 12 Months
Rates	R 120 000 000	R 73 775 354	R 142 000 000
Penalties & collec. charges	R 6 800 000	R 4 720 096	R 9 400 000
Service Charges	R 569 927 100	R307 872 705	R 565 668 353
Rent of facilities and equip.	R 1 772 100	R 1 221 434	R 2 400 000
Interest External Investm.	R 3 801 000	R 2 631 410	R 3 900 000
Interest Outstanding Debt	R 25 000 000	R 11 578 900	R 23 157 800
Fines	R 4 501 136	R 1 442 318	R 2 884 636
Licenses & Permits	R 771 000	R 549 094	R 1 098 188
Income Agency Services	R 51 164 291	R 28 292 774	R 51 870 086
Operating Grants & Subs.	R 496 609 722	R346 407 313	R 496 609 722
Other Revenue	R 12 235 046	R 1 374 236	R 2 748 472
Gain On Disp. PPE	R 2 500 000	R 0	R 0
Income Foregone	<u>(R 35 500 000)</u>	<u>(R 20 189 337)</u>	<u>(R 40 378 674)</u>
Income	<u>R1 259 581 395</u>	<u>R759 676 295</u>	<u>R1 261 358 583</u>

The anticipated actual income for the 2018/2019 financial year amounts to R1,261 Billion which is R1,7 million more 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 heald good results.

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

5.2.2 ANTICIPATED ACTUAL EXPENDITURE (2018/2019)

The anticipated actual expenditure can be summarized as follows:

2018/2019 Expenditure Items	2018/2019 Budget	Actual July 2018 December 2018	Anticipated Actual Expenditure 12 months
Salaries	R 310 095 503	R139 908 328	R 280 000 000
Social Contributions	R 71 376 468	R 26 868 195	R 55 000 000
Employee Cost Capitalized	-R 0	0	-R 0
Employee Cost Opex	-R 187 303 458	-R 7 583 322	-R 187 303 458
Remuneration Councillors	R 27 425 152	R 12 662 443	R 27 425 152
Bad Debts	R 38 000 000	0	R 38 000 000
Collection Cost	R 1 200 000	R 195 673	R 1 200 000
Inventory Loss	0	0	0
Depreciation	R 133 475 496	0	R 133 475 496
Repairs & Maintenance	R 246 876 489	R 35 052 362	R 257 408 182
Interest Ext. Borrowing	R 26 509 913	R 4 752 178	R 24 833 485
Bulk Purchases	R 344 300 000	R152 617 530	R 360 818 082
Contracted Serv.	R 66 513 542	R 26 255 296	R 68 513 542
Grants & Sub	R 23 651 000	R 3 915 765	R 23 651 000
Grant & Sub Unconditional	R 7 153 673	R 2 455 230	R 4 910 460
General Expenditures	<u>R 127 615 145</u>	<u>R 77 342 462</u>	<u>R 154 684 924</u>
TOTAL	<u>R1 236 888 923</u>	<u>R474 442 141</u>	<u>R1 242 616 865</u>

The anticipated actual expenditure amounts to R1,242 billion which is R5,7 million more than budgeted for, this anticipated over expenditure can be attributed to the anticipated over expenditure on the following items:

5.2.3 GENERAL EXPENSES

- **LEGAL SERVICES**

An amount of R12 524 000 has been budgeted for Legal fees and the expenditure for the first 6 months amounts to R12 523 780, which

represents 99,5% 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.

- 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 R19 460 224 which represents 89.8% of the budgeted amount.. Although revenue is generated through this service 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.

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

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

- Repairs and Maintenance
 - o Computer equipment and software – contractors
 - o Distribution networks (Electrical)
 - o Railway sidings.

5.2.4 A SUMMARY OF THE ANTICIPATED ACTUAL INCOME AND EXPENDITURE FOR THE 2018/2019 FINANCIAL YEAR

Anticipated Income 30/06/2018	R1 261 358 583
Anticipated Expenditure 30/06/2018	<u>R1 242 616 865</u>
Anticipated Surplus	<u>R 18 741 718</u>
Capital Expenditure	R 195 199 250
Appropriations	<u>(R 172 506 777)</u>
Anticipated shortfall	<u>R 3 950 754</u>

As the shortfall only represents 0,3% 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 2018/2019 budget will have to be managed to ensure that no overspending occurs.

5.3 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 2018/2019 financial year is no exception and some of these elements are highlighted below.

5.3.1 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 creating new assets.

5.3.2 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.

5.3.3 LEGAL COSTS

The requests received from the Office of the Municipal Manager includes an additional amount of R4,5 million for Legal fees, this is a matter which needs serious attention as 100% of the Annual Budget for Legal Fees was spent during the first six months of the year.

5.3.4 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	2018/2019 BUDGET	ACTUAL FOR 6 MONTH
Municipal Manager	R 71 511 601	R 37 722 507
PED	R 31 729 993	R 14 336 712
Financial Services	R 99 744 570	R 45 940 064
Corporate Services	R 62 569 210	R 25 807 363
Engineering Services	R 248 765 771	R112 201 283
Community Services	R 216 416 169	R106 028 525
Electrical Services	<u>R 506 151 609</u>	<u>R248 143 435</u>
	<u>R1 236 888 923</u>	<u>R590 179 889</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 Department of the Municipal Manager, no department should overspend its budget.

The anticipated overspending on the budget of the Municipal Manager is as a result of the following:

An anticipated overspending on the Departmental Expenditure due to the overspending on Legal fees. An amount of R12 524 000 was budgeted for the year, whilst an amount of R12 523 780 was spent on Legal Fees during the first six months of the year.

5.3.5 ADJUSTMENT REQUESTS

The requests attached as Annexure "A" for adjustments on the 2018/2019 approved budget have been received from Directors.

5.3.6 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 authorized over expenditure relating to the above mentioned requirements during this financial year.

The upgrading of the access road to Relela was approved by the Mayor for an amount of R1 886 611.51 which includes VAT of R246 079.76.

Payment was effected during January 2019. This overspending is included in the Adjustment requests to be approved.

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.

5.3.7 ADJUSTMENTS

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

- Roll over projects from the 2017/2018 financial year financed through own funds.
- Roll over Capital projects from the 2017/2018 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 discuss as follows:

Roll-Over Projects From 2017/2018 Financial Year Financed Through Own Funds

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

Roll-over Capital Projects from the 2017/2018 Financial Year through Government Grants (Conditional Grants)

A roll-over application from the Municipality for an amount of R2,7 million with respect to the Integrated National Electrification Programme Grant was not approved by National Treasury.

National Treasury informed the Municipality that the roll-over request was not approved in terms of Section 22(2) of the Division of Revenue Act (Act no. 3 of 2017).

The decision to reject the roll-over request is based on the following:

“No permanent Municipal Manager and Chief financial Officer for a period exceeding six consecutive months during the 2017/2018 Municipal financial year”

Adjustments to Accommodate Operational Requests

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 R43 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 Directors must manage their budgets with only the requests that were critical.

Adjustments to Accommodate Capital Requests

A detailed report of all the adjustment requests is attached to this report as Annexure “B”.

During Councils 2018/2019 Budget meeting held during May 2018 Council resolved inter alia as follows:

***“That a loan of R90 million be taken up to finance Capital projects during the 2018/2019 financial year.*”**

Capital projects to the amount of R90 million were identified and tabled to Council for approval during the budget meeting mentioned above.

To comply with Legislative Requirements regarding long-term debt an information statement setting out all particulars of the debt was made public and the relevant Government Departments were requested to comment on the proposed debt.

Discussions between the Municipality, DBSA and Government Departments followed and Council resolved to rescind its resolution to take up a loan of R60 million from Standard Bank.

The Council Resolution was rescinded during the 2018/2019 financial year, therefore the accompanying changes to the approved budget will have to be addressed during the 2018/2019 Adjustment Budget process.

Capital projects have been moved between financial years to limit the Capital programme to R40 million which will be taken up from DBSA.

The following changes to the 2018/2019 Capital programme have been effected.

DBSA PROJECTS

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
EED-46	Installation of new Entrance Streetlights R71 Adshade bridge to voortrekker street robot	Electrical department own	Entrance streetlights R71	R 532 000	532 000	0	DBSA loan
EED-47	R71 Deerpark Traffic Circle lights (from Voortrekker street traffic light up to the SANRAL traffic circle	Electrical department loan	R71 Deerpark Traffic circle lightsSANRAL	R 1 600 000	1 600 000	0	DBSA loan
EED-59	Area Lighting at R36 Kujwana turn off	Electrical department loan	<u>Area Lighting at R36 Kujwana turn off</u>	R 300 000	300 000	0	DBSA loan
EED-116	Renewal Repairs and Maintenance on prepaid meters and infrastructure in Phases (Talana, Politsi, Mieliekloof and Tarentaalrand)	Electrical department loan	Renewal Repair and Maintenance on pre-paid meters and Infrastructure	R 2 400 000	300 000	300 000	DBSA loan
EED-117	Miniature substation Urban distribution networks in Phases	Electrical department loan	Miniature substation Urban distribution networks as directed by (NERSA + (Item B53 6/14)	R 5000 000	800 000	1 000 000	DBSA loan
EED-118	Replacing 11 kV cables due to required increase in capacity in Tzaneen CBD in phases	Electrical department loan	Replacing 11kV cables due to required increase in capacity	R 5 000 000	750 000	1 200 000	DBSA loan
EED-119	Substation Tripping Batteries in Phases	Electrical department loan	Purchase of substation tripping batteries	R 5 900 000	100 000	400 000	DBSA loan
EED-120	Provision of Electrical Tools (Customer Retail)	Electrical department loan	Provision of various tools (1 x Note Book for meter programming, 3 x Earth sets, 3 x 12m stepladders, 3 x 6m step ladders, 2 x electrical cordless drill, 3 x Line building equipments)	R 650 000	150 000	200 000	DBSA loan

EED-121	Provision of Electrical Tools (Operation and Maintenance)	Electrical department loan	Provision of various tools (1 x Note Book for meter programming, 6 x Earth sets, 6 x 12m stepladders, 6 x 6m step ladders, 2 x electrical cordless drill, 6 x Line building equipments, 6 x Link Sticks)	R 650 000	200 000	200 000	DBSA loan
EED-122	Replacement of Existing Airconditioners in Municipal Buildings in Phases	Electrical department loan	Replacement of existing air-conditioners	R 600 000	150 000	250 000	DBSA loan
EED-123	Rebuilding of lines – Green Frog Haenertsburg (6km)	Electrical department loan	Rebuilding of lines	R4 900 000	1 200 000	0	DBSA loan
EED-124	Rebuilding of lines Gravelotte – De Neck (2,5km)	Electrical department loan	Rebuilding of lines	R4 500 000	1 500 000	0	DBSA loan
EED-125	Rebuilding of 33 kV lines – Lalapanzi – Waterbok in phases 1,5 km	Electrical department loan	Rebuilding of lines	R 3 100 000	600 000	0	DBSA loan
EED-126	Rebuilding of Mashutti 11 kV line (2km)	Electrical department loan	Rebuilding of lines	R 2 400 000	400 000	0	DBSA loan
EED-127	Rebuilding of Deeside 11 kV line (2,5km)	Electrical department loan	Rebuilding of lines	R 2 800 000	584 000	0	DBSA loan
EED-128	Rebuilding of Yamorna and Shivurali 11 kV line (4km)	Electrical department loan	Rebuilding of lines	R 2 800 000	584 000	0	DBSA loan
EED-129	Rebuilding of Ledzee 11kV line from LZ44 to Van der Grey Farm (2.5 km)	Electrical department loan	Rebuilding of lines	R 2 700 000	500 000	0	DBSA loan
EED-130	Rebuilding of lines – Letsitele Valley Substation – Bosbou and all T offs in Phases	Electrical department loan	Rebuilding of lines	R 4 000 000	500 000	500 000	DBSA loan
EED-131	Rebuilding of Lushof South 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 2 500 000	500 000	500 000	DBSA loan
EED-132	Rebuilding of Rooikoppies 11kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-133	Rebuilding of Mabiet 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-134	Rebuilding of Haenertsburg 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan

EED-135	Rebuilding of Campsies Glen 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-136	Rebuilding of Politsi Valley 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED-139	Rebuilding of Mieliekloof and Deerpark 11 kV lines in Phases	Electrical department loan	Rebuilding of lines	R 1 500 000	500 000	500 000	DBSA loan
EED-140	Rebuilding of Letaba Feeder 33 kV line (2,5km)	Electrical department loan	Rebuilding of lines	R 4 500 000	750 000	0	DBSA loan
EED-143	Substation Fencing at major substations in phase	Electrical department loan	Replaced damaged fencing in Letsitele Main substations	R 2 500 000	500 000	1 000 000	DBSA loan
EED-146	Replace 11 kV and 33 kV Auto reclosers per annum (x5) (ITEM B53 6/14)	Electrical department loan	Replace 11 kV and 33 kV Auto reclosers per annum (Item B53 6/14)	R 7 500 000	1 500 000	3 000 000	DBSA loan
EED-147	Building of new 4 MVA, 33/11 kV Substation at Agatha Meyersrus T off (Phase 1)	Electrical department loan	Building of new substation	R 4 000 000	4 000 000	0	DBSA loan
EED-148	Refurbishment of the Ebenezer 33 kV Feeder (2,5km)	Electrical department loan	Refurbishment of the Ebenezer 33kV Feeder	R 5 000 000	1 000 000	1 000 000	DBSA loan
EED - 153	Rebuilding of Valencia 11 kV lines in Phases	Electrical department loan	Rebuilding of Valencia 11 kv lines	R 1 000 000	500 000	1 000 000	DBSA loan
EED – 17/18/1	New entrance R36 Streetlights at Highgrove Lodge and Mac Donalds	Electrical department loan	Install new streetlights		0	1 100 000	DBSA loan
EED – 17/18/2	Area Lighting at Tarentaalrand Crossing	Electrical department loan	Install new area lightning		0	400 000	DBSA loan
EED – 144	Replace 2 x 15 MVA 66/11 kVA Transformers with 2 x 20 MVA 66/11 kV Transformer at Tzaneen Main sub Phase 1 and 2	Electrical department loan	Replace 2 x 20 MVA 66/11 kV Transformer at Tzaneen main sub	R18 350 000	5 000 000	6 550 000	DBSA loan
EED – 137	Rebuilding of CP Minnaar 11 kV lines 2 km	Electrical department loan	Rebuilding of CP Minnaar 11 kV lines 2 km		0	400 000	DBSA loan
EED – 141	Upgrading of Waterbok 33/11 kV Substation	Electrical department loan	Upgrading of Waterbok 33/11 kV Substation		0	2 000 000	DBSA loan
EED – 142	Upgrading of Blacknoll 33/11 kV Substation	Electrical department loan	Upgrading of Blacknoll 33/11 kV Substation		0	2 000 000	DBSA loan
EED – 17/18/3	Houtbosdorp 11 kV Ring 10 km	Electrical department loan	Houtbosdorp 11 kV Ring 10 km		0	1 500 000	DBSA loan

EED 145	Replacing of old SS1 electrical substation circuit breakers with compact switchgear	Electrical department loan	Replacing of old SS1 electrical substation circuit breakers with compact switchgear		0	10 000 000	DBSA loan
TOTALS					30 000 000	40 000 000	

STANDARD BANK PROJECTS

PROJECT NUMBER	PROJECT NAME	Department	Project Description	Total budget	2018/19	Adjusted 2018/19	Source of Funding
ESD-21	Tickline to Makhwibidung Storm Water Management	Engineering services counter	Storm Water management	R 3 500 000	3 500 000	0	STD loan
ESD-33	Low level bridge at Agatha Cemetery	Engineering services	Construction of low level bridge	R 3 488 768	3 488 768		<u>STD loan</u>
ESD-60	Upgrading of Old Fire Station building and Civic Centre	Engineering services	Alteration to old fire building to create more office and changing of new roof to civic centre building, installation of a lift and new roof for the community services offices including creation of additional parking space	11 756 765	11 756 765		STD loan
ESD-100	Additions to existing Tzaneen Stores including Fencing	Engineering services	Extending the existing stores including fencing	750 000	750 000	0	STD loan
ESD-101	New Lenyenye Taxi Rank Phase 1 of 2 and 2 of 2	Engineering services counter	Construction of Taxi Rank		3 993 235	0	STD loan
ESD-102	Upgrading of Tzaneen Ext 13 internal street from gravel to paving	Engineering services	Upgrading from gravel to paving	R 900 000,00	900 000	0	STD loan
ESD-103	Maintenance of Danie Joubert Street (Police Station to CTM) in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R1 325 562	1 325 562	0	STD loan
ESD-104	Maintenance of Pusela to Van Velden to Billy Maritz street in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 723 230	1 723 230	0	STD loan
ESD-105	Maintenance of 1 st Avenue street in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 060 445	1 060 445	0	STD loan

ESD-106	Maintenance of 3 rd Avenue to Hospitaal to 2 nd Avenue street in Tzaneen	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 193 005	1 193 005	0	STD loan
ESD-107	Maintenance of Boundary Street	Engineering services	Patchwork, Fog Spray and Slurry Seal	R 1 325 566	1 325 566	0	STD loan
ESD-108	Maintenance of Nkowankowa internal streets (Bankuna road to Thambo to Maxakeni)	Engineering services	Patchwork	R 6 627 808	6 627 808	0	STD loan
ESD-109	Maintenance of Lenyenye internal Streets (Main street to Industrial to Stadium to Ithuseng to main street via Police Station)	Engineering services	Patchwork, Fog Spray	R6 627 808	6 627 808	0	STD loan
ESD-111	Maintenance of Vorster Street in Letsitele	Engineering services	Patchwork, Fog Spray	R 530 225	530 225	0	STD loan
ESD-112	Maintenance of Eerste Street in Letsitele	Engineering services	Patchwork, Fog Spray	R 397 668	397 668	0	STD loan
ESD-113	Maintenance of Main CBD street and Parking in Letsitele	Engineering services	Patchwork,	R 927 893	927 893	0	STD loan
ESD-114	Rehabilitation of Haenertsburg Cemetery road.	Engineering services	Rehabilitation	R3 872 022	3 872 022	0	STD loan
EED-141	Upgrading of Waterbok 33/11 kV Substation	Electrical department loan	Increasing capacity on the Waterbok 33/11KV Substation: Extension of the plinth, new fencing, provision for a 2nd 2MVA transformer, new busbars, etc	R 1 000 000	1 000 000	0	STD loan
EED-142	Upgrading of Blacknoll 33/11kV Substation	Electrical department loan	Increasing capacity on the Blacknoll 33/11KV Substation: Extension of the plinth, new fencing, provision for a 2nd 2MVA transformer, new busbars, etc	R 1 000 000	1 000 000	0	STD loan
EED-144	Replace 2 x 15 MVA 66/11 kV Transformers with 2 x 20 MVA 66/11 kV Transformers at Tzaneen Main Sub Phase 1 and 2	Electrical department loan	Replace 2 x 15 MVA 66/11 kV Transformers with 2 x 20 MVA 66/11 kV Transformers at Tzaneen Main Sub Phase 1 and 2	R 4 000 000	4 000 000	0	STD loan

EED-145	Replacing of Old SS1 electrical substation circuit breakers with compact switchgear	Electrical department loan	Replacing of old SS1 electrical substation circuit breakers with compact switchgear, installation of a 11KV mini-sub	R 4 000 000	4 000 000	0	STD loan
TOTALS					60 000 000	0	

Savings votes for all Capital requests could not be identified but due to the fact that the overspending on Council's Capital program will result in unauthorized expenditure urge Management to request Council to approve the increased spending on the Capital Budget.

The increase on the approved 2018/2019 Capital program can be summarized as follows:

Original 2018/2019 Capital Budget	R195 434 250
Standard Bank loan not taken up	(R 60 000 000)
DBSA Loan increase	R 10 000 000
Additional grant (Clean Town Funding)	<u>R 230 000</u>
Funded 2018/2019 Capital Budget	<u>R145 664 250</u>
Additional Requests:	
Low level bridge at Agatha cemetery	R 3 488 768
Purchase of crane for Electricity Dept.	R 1 400 000
Upgrade of old fire station building	R 2 500 000
Upgrade of Ext. 13 Streets from Gravel to paving	<u>R 900 000</u>
	<u>R153 953 018</u>

The additional requests for the amount of R7 388 786 is not funded and will have to be funded from savings through Budget Management and special attention to Council Credit Control actions which have already been implemented.

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 28th of November 2018 Government Gazette no. 42067 was published but no charge to Grants allocated to Tzaneen has been approved.

5.3.8 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 R42 299 722 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.

The Adjustment requests received for the Operational Expenditure on the water service will have to be forwarded to MDM for consideration.

5.3.9 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 2019 to be assessed by Province.

5.3.10 SUMMARY

An additional amount of R23 775 556.00 will be affected on the Municipalities 2018/2019 Adjustment Budget.

This amount can be divided into five 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	R16 386 788.00	
- Adjustments to accommodate DORA allocations	R	0.00
- Adjustments to accommodate Capital requests	<u>R 8 288 768.00</u>	
TOTAL ADDITIONAL REQUESTS		<u>R24 675 556.00</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.

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. B.S. MATLALA
GREATER TZANEEN MUNICIPALITY

SIGNATURE: _____

28 February 2019

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