

# **GREATER TZANEEN MUNICIPALITY**



## **ADJUSTMENT BUDGET**

**2021/2022 – 2023/2024**

### **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 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 2021/2022 adjustment budget and to obtain Council's approval to revise the approved 2021/2022 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 on a regular basis to ensure a well-balanced and credible Adjustment Budget and is convinced that the adjustments as per the recommendation should be effected.

#### **2.1 Mopani District Municipality**

Apart from the legislative requirements Council is also informed that the **2021/2022** 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 adjustment 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:

Human resources: selling of leave days	R 13 300 000	To accommodate selling of leave days approved by Council.
Legal services: legal fees	R 1 500 000	To accommodate outstanding legal fees during the second part of the financial year.
Electrical Engineering: Municipal services	R 1 200 000	For Maintenance of substations and specialized services
Parks, sport, arts and culture	R 400 000	For grass cutting, maintenance of municipal parks and side walks

- b) That the following savings be utilized to accommodate selling of leave days approved by Council:

Electrical Engineering:	R 6 000 000	Bulk Purchases
Electrical Engineering	R 3 000 000	Inventory Consumed: Materials and Supplies
Planning and Economic development	R 2 800 000	GIS System
Budget and Treasury	R 1 500 000	Contracted Services

- c) That the following adjustments on 2021/2022 MIG projects be approved:

Project Title	2021/2022 Original budget	2021/2022 Adjusted budget
Paving Nelson Ramodike High School Access Road		5 628 120.61
Upgrading of Nkowankowa B Streets from Gravel to Paving	1 000 000.00	0.00

Upgrading of Nkowankowa A CODESA and Hani Streets from Gravel to Paving	5 600 000.00	3 682 786.73
Upgrading of Topanama Access Road from Gravel to Paving	1 000 000.00	0.00
Upgrading of Marirone to Motupa Street from Gravel to Paving	5 000 000.00	0.00
Upgrading of Thapane Street from Gravel to Paving	1 000 000.00	0.00
Upgrading of Mulati Access Road from Gravel to Paving	13 900 000.00	14 946 716.68
Construction of Tickylane to Makhwibidung Stormwater Drainage Systems	3 500 000.00	0.00
Upgrading of Lenyenye Streets from Gravel to Paving	1 000 000.00	0.00
Upgrading of Zangoma to Mariveni Road from Gravel to Paving	1 000 000.00	0.00
Upgrading of Moseanoka to Cell C Pharare Internal Streets from Gravel to Paving	14 000 000.00	13 538 679.30
Upgrading of Nkowakowa Section D Streets from Gravel to Paving	1 000 000.00	0.00
Upgrading of Matapa to Leseka Access Road from Gravel to Paving	4 753 950.00	11 751 383.77
Upgrading of Risaba, Mnisi, Shando, to Driving School Internal Streets from Gravel to Paving	14 000 000.00	14 079 741.27
Upgrading of Main Road from Ndhuna Mandlakazi, Efrika, Zangoma, Mpenyisi to Jamba Cross Internal Street	14 000 000.00	15 563 260.82
Nwamitwa Bridge via Nhlengeleti School to Taxi Rank, Clinic via Lwandlamoni School to Nwamitwa/Mandlakazi Road from Gravel to Paving	14 000 000.00	15 563 260.82
<b>Total Capital</b>	<b>94 753 950.00</b>	<b>94 753 950.00</b>
PMU Administration	4 987 050.00	4 987 050.00
Total MIG allocation	<b>99 741 000.00</b>	<b>99 741 000.00</b>

- d) That the following roll over projects, financed from Conditional Grants INEP, were not approved by National Treasury, and that these projects be financed from municipal services own funding item:

Project name	Number of connections	Budget
- Electrification on Senakwe	35	R686 734.95
- Electrification of Runnymede	91	R661 668.83
<b>Total</b>		<b>R1 348 403.78</b>

- e) That the following amendments on the INEP projects (Operational projects on the 2021/2022 budget) be approved by council to ensure that the SDBIP can be aligned with the operational projects:

No.	Project Name	Number of Connections	Original Budget	Adjusted Budget
1	Electrification of Mavele Phase5	213	3 834 000	3 834 000
2	Electrification of New Phepene	29	522 000	1 350 000
3	Electrification of New Rita	30	540 000	540 000
4	Electrification of Winny Mandela	618	11 124 000	10 296 000
	<b>TOTAL</b>	<b>890</b>	<b>16 020 000</b>	<b>16 020 000</b>

- f) That the following amendments on the own funding projects be approved by council to ensure that the SDBIP can be aligned with the capital budget:

Project Title	2021/2022 ORIGINAL BUDGET	ADDITIONAL REQUESTS	2021/2022 ADJUSTED BUDGET
Construction of Clear View Fencing at Civic Centre and Stores		675 630	675 630
Purchase of Waste Removal Truck	1 800 000		1 800 000
Purchase of Construction Machinery: TLB, Grader	5 000 000	-5 000 000	0
Erection of Concrete Palisade Fence at Nkowankowa Cemetery	2 000 000		2 000 000

Erection of Concrete Palisade Fence at Lenyenye Cemetery	2 000 000		2 000 000
Purchase of Walk-behind Roller x 2	600 000	-600 000	0
Rehabilitation of Boundary Street in Tzaneen		5 000 000	5 000 000
Construction of Speed Humps in all Wards	1 000 000	-1 000 000	0
Upgrading of Civic Centre Roof	4 000 000	1 924 370	5 924 370
Construction of New Ablution Block, Offices and Storage Facility at Tzaneen Testing Station	1 000 000	-1 000 000	0
Purchase of Fleet Management System	800 000		800 000
Purchase of the Mayor's Vehicle	750 000		750 000
Purchase of the Speaker's vehicle	750 000		750 000
Installation of Power Generator for Aqua Park Booster Pump Station	600 000	-300 000	300 000
Installation of Power Generator for Letsitele Water Treatment Works		300 000	300 000
Speed measuring instrument	500 000		500 000
1x Trailer	270 000		270 000
6x Computers	60 000		60 000
3x Printers	15 000		15 000
Traffic Lights Controllers	500 000		500 000
Procurement of Data Concentrators	250 000		250 000
Purchase of critical office furniture	700 000		700 000
New Electricity Connections (Consumer Contribution)	10 000 000		10 000 000

- g) That the following DBSA(loan) projects be approved by Council to ensure that the SDBIP can be aligned with the capital budget:

<b>PROJECT / INITIATIVE</b>	<b>2021/2022 Budget</b>	<b>2021/2022 Adjusted budget</b>
Replace 2 x 20 MVA 66/11 kV at Tzaneen main sub PH3	R 4 320 503.13	R 2 753 557.36
Rebuilding of Deeside 11kv line	R 145 430.35	R 145 430.35
Rebuilding of Yarmona /Shivulari 11kv line ph2 (4km)	R 55 987.00	R 55 987.00
Rebuilding of Letaba Feeder 33KV line ph2	R 983 128.47	R 300 973.69
Refurbishment of the Ebenhezer 33kV Feeder ph3	R 1 500 000.00	R 1 170 512.71
Install 33kV voltage regulator on the 33kV Haenertsburg ring	R 3 750 000.00	R 4 274 433.74
California 11kV line (New from adjustment busget)	R 1 500 000.00	R 1 500 000.00
Capital Tools O&M	R 310 000.00	R 310 000.00
Capital Tools CRS	R 50 000.00	R 50 000.00
Reburbishment of the Ebenezer 33kV Feeder ph2	R 806 616.30	R 806 616.30
Haenertsburg Iron Crown 11kV line Ph2 (Mountain top)	R 599 000.00	R 599 000.00
33 & 11kV Auto Reclosers (NEW)	R -	R 2 054 154.10
<b><u>TOTAL</u></b>	<b><u>R 14 020 665.25</u></b>	<b><u>R 14 020 665.25</u></b>

- h) 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 2022, and that possible overspending be accommodated through virements.
- i) That special attention be given to Credit Control to ensure that the required revenue is generated.
- 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**

### **1. INTRODUCTION**

The Budget Regulations provide that an Adjustment Budget may be tabled to Council after the Mid-year performance assessment of the first half of the financial year, if the assessment finds that an Adjustment Budget is necessary.

The movement of INEP, DBSA loan projects, MIG projects and required additional funding in operational budget necessitated the tabling of an Adjustment Budget for the 2021/2022 financial year.

### **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.

#### **2.1. ADJUSTMENT BUDGET CONDITIONS**

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 2021/2022 financial year are discussed below to ensure that Greater Tzaneen Municipality complies with all legislative requirements.

## 2.2 APPROVED OPERATIONAL BUDGET 2021/2022

### 2.2.1 BUDGETED INCOME (2021/2022)

<b>Description</b>	<b>2021/2022 Budget</b>
Tzaneen Budget	R1 498 677 614
MDM Water Budget	R 78 187 822
MDM Sewer Budget	R 10 744 580
MDM Environmental Health Budget	R 13 000
Prov. Community Health Budget	R 0
<b>Total Budget</b>	<b><u>R1 587 623 016</u></b>

### 2.2.2 BUDGETED EXPENDITURE 2021/2022

The 2021/2022 expenditure budget which has been approved by Council can be summarized as follows: (This budget includes the capital budget from Grants and Own sources)

<b>Description</b>	<b>2021/2022 Budget</b>
Operational Budget Tzaneen	R1 316 107 887
Operational Budget Water MDM	R 61 573 016
Operational Budget Sewer MDM	R 12 117 804
Operational Budget Environmental Health	R 10 725 965
Capital Budget: Grants & Own Sources	<u>R 130 857 450</u>
<b>Total Budget</b>	<b><u>R1 531 382 122</u></b>

## 2.3 CASH FLOW PROJECTIONS 2021/2022

### 2.3.1 ANTICIPATED ACTUAL INCOME (2021/2022)

<b>Description</b>	<b>Budget 2021/2022</b>	<b>Actual July 2021 to December 2021</b>	<b>Anticipated Actual Income 12 Months</b>
Rates	R 137 500 000	R 78 154 493	R 156 308 987
Service Charges	R 786 461 013	R 431 765 850	R 790 451 130
Rent of facilities and equip.	R 1 170 100	R 218 397	R 436 794



Interest External Investm.	R	3 500 000	R	2 538 903	R	3 752 246
Interest Outstanding Debt	R	31 600 000	R	26 137 345	R	31 600 000
Fines	R	38 501 136	R	168 609	R	38 501 136
Licenses & Permits	R	912 000	R	178 475	R	912 000
Income Agency Services	R	22 664 291	R	6 331 239	R	22 664 291
Operating Grants & Subs.	R	558 842 000	R	412 112 529	R	558 842 000
Other Revenue	R	6 472 576	R	599 463	R	6 472 576
<b>Income</b>		<b><u>R1 587 623 016</u></b>		<b><u>R958 205 303</u></b>		<b><u>R1 609 941 160</u></b>

The anticipated actual income for the 2021/2022 financial year amounts to R1,609 Billion which is R22,3 million more than the budgeted amount.

### 2.3.2 ANTICIPATED ACTUAL EXPENDITURE (2021/2022)

The anticipated actual expenditure can be summarized as follows:

<b>2021/2022 Expenditure Items</b>	<b>2021/2022 Budget</b>	<b>Actual July 2021 December 2021</b>	<b>Anticipated Actual Expenditure 12 months</b>
Employee related costs	R 387 069 217	R 201 694 307	R 403 388 614
Remuneration Councillors	R 28 405 898	R 13 189 334	R 26 378 669
Bad Debts	R 50 890 308	R 0	R 50 890 308
Depreciation	R 134 738 731	R 0	R 134 738 731
Inventory consumed	R 82 573 688	R 25 324 921	R 70 157 566
Interest Ext. Borrowing	R 17 826 562	R 1 577 785	R 17 826 562
Bulk Purchases	R 462 823 750	R139 523 399	R 420 000 000
Contracted Serv.	R 81 571 869	R 31 897 148	R 81 571 869
Grants & Sub	R 32 118 000	R 12 089 233	R 32 118 000
General Expenditures	<u>R 122 506 649</u>	<u>R61 736 001</u>	<u>R 122 506 649</u>
<b>TOTAL</b>	<b><u>R1 400 524 672</u></b>	<b><u>R487 032 128</u></b>	<b><u>R1 359 576 968</u></b>

The anticipated actual Operating expenditure amounts to R1,359 billion which is R40 million less than budgeted for, this anticipated under

expenditure can be attributed to the anticipated under expenditure on the following main items:

- Employee related costs
- Bulk Purchases Electricity

## 2.4 A SUMMARY OF THE ANTICIPATED ACTUAL INCOME AND EXPENDITURE FOR THE 2021/2022 FINANCIAL YEAR

Anticipated Income 30/06/2022	R1 609 941 160
Anticipated Expenditure 30/06/2022	R1 359 576 968
<b>Anticipated Surplus</b>	<b>R 250 364 192</b>
Capital Expenditure	R 130 857 450
Anticipated Surplus	R 119 506 742

Although the anticipated actual revenue is more than the budgeted amount, the anticipated actual expenditure is also more than the budgeted amount.

It is required that Municipalities 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 must be met as far as possible and it should be achieved within the financial capacity and resource constraints of the Municipality. The fact that a surplus of R119.5 million is anticipated provides security that the adjustments on the Adjustment Budget will not result in any shortfall of funding.

## 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	2021/2022 BUDGET	ACTUAL FOR 6 MONTHS
Municipal Manager	R 85 818 763	R 40 740 069
PED	R 32 421 715	R 15 385 038
Budget and Treasury	R 128 287 707	R 58 713 088

Corporate Services	R 74 424 389	R 30 995 935
Engineering Services	R 237 326 147	R 59 364 251
Community Services	R 213 892 592	R 102 010 341
Electrical Services	<u>R 628 353 359</u>	<u>R179 823 406</u>
	<u>R1 400 524 672</u>	<u>R487 032 128</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 department are within their budget.

## 2.6 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.

## 2.7 ADJUSTMENT REQUESTS

The requests attached as Annexure “A” for adjustments on the 2021/2022 approved budget have been received from Directors.

The MFMA provides that a Municipality may revise its approved budget through an Adjustment Budget provided that the Revenue and Expenditure votes be adjusted downwards if there is a material under collection of revenue.

## 2.8 ADJUSTMENTS

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

- Adjustments to accommodate operational requests.
- Adjustments to accommodate Capital requests from own funding.
- Adjustments to accommodate Dora funding capital projects.
- Adjustments to accommodate DBSA loan projects.

### 2.8.1 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.

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

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

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

Human resources: selling of leave days	R 13 300 000	To accommodate selling of leave days approved by Council.
Legal services: legal fees	R 1 500 000	To accommodate outstanding legal fees during the second part of the financial year.
Electrical Engineering: Municipal services	R 1 200 000	For Maintenance of substations and specialized services
Parks, sport, arts and culture	R 400 000	For grass cutting, maintenance of municipal parks and side walks

#### 2.8.2 Adjustments to Accommodate Capital Requests

After careful consideration, the Budget Steering Committee resolved that the following adjustments/additional allocations with regard to Capital projects from own funding be approved

<b>Project Title</b>	<b>2021/2022 ORIGINAL BUDGET</b>	<b>ADDITIONAL REQUESTS</b>	<b>2021/2022 ADJUSTED BUDGET</b>
Construction of Clear View Fencing at Civic Centre and Stores		675 630	675 630
Purchase of Waste Removal Truck	1 800 000		1 800 000
Purchase of Construction Machinery: TLB, Grader	5 000 000	-5 000 000	0
Erection of Concrete Palisade Fence at Nkowankowa Cemetery	2 000 000		2 000 000
Erection of Concrete Palisade Fence at Lenyenye Cemetery	2 000 000		2 000 000
Purchase of Walk-behind Roller x 2	600 000	-600 000	0
Rehabilitation of Boundary Street in Tzaneen		5 000 000	5 000 000
Construction of Speed Humps in all Wards	1 000 000	-1 000 000	0
Upgrading of Civic Centre Roof	4 000 000	1 924 370	5 924 370
Construction of New Ablution Block, Offices and Storage Facility at Tzaneen Testing Station	1 000 000	-1 000 000	0
Purchase of Fleet Management System	800 000		800 000
Purchase of the Mayor's Vehicle	750 000		750 000
Purchase of the Speaker's vehicle	750 000		750 000
Installation of Power Generator for Aqua Park Booster Pump Station	600 000	-300 000	300 000
Installation of Power Generator for Letsitele Water Treatment Works		300 000	300 000
Speed measuring instrument	500 000		500 000
1x Trailer	270 000		270 000
6x Computers	60 000		60 000
3x Printers	15 000		15 000
Traffic Lights Controllers	500 000		500 000

Procurement of Data Concentrators	250 000		250 000
Purchase of critical office furniture	700 000		700 000
New Electricity Connections (Consumer Contribution)	10 000 000		10 000 000

### 2.8.3 Adjustments to Accommodate Dora funding capital projects

After careful consideration, the Budget Steering Committee resolved that the following adjustments/additional allocations with regard to Capital projects from MIG funding be approved

<b>Project Title</b>	<b>2021/2022 Original budget</b>	<b>2021/2022 Adjusted budget</b>
Paving Nelson Ramodike High School Access Road		5 628 120.61
Upgrading of Nkowankowa B Streets from Gravel to Paving	1 000 000.00	0.00
Upgrading of Nkowankowa A CODESA and Hani Streets from Gravel to Paving	5 600 000.00	3 682 786.73
Upgrading of Topanama Access Road from Gravel to Paving	1 000 000.00	0.00
Upgrading of Marirone to Motupa Street from Gravel to Paving	5 000 000.00	0.00
Upgrading of Thapane Street from Gravel to Paving	1 000 000.00	0.00
Upgrading of Mulati Access Road from Gravel to Paving	13 900 000.00	14 946 716.68
Construction of Tickyline to Makhwibidung Stormwater Drainage Systems	3 500 000.00	0.00
Upgrading of Lenyenye Streets from Gravel to Paving	1 000 000.00	0.00
Upgrading of Zangoma to Mariveni Road from Gravel to Paving	1 000 000.00	0.00

Upgrading of Moseanoka to Cell C Pharare Internal Streets from Gravel to Paving	14 000 000.00	13 538 679.30
Upgrading of Nkowakowa Section D Streets from Gravel to Paving	1 000 000.00	0.00
Upgrading of Matapa to Leseka Access Road from Gravel to Paving	4 753 950.00	11 751 383.77
Upgrading of Risaba, Mnisi, Shando, to Driving School Internal Streets from Gravel to Paving	14 000 000.00	14 079 741.27
Upgrading of Main Road from Ndhuna Mandlakazi, Efrika, Zangoma, Mpenyisi to Jamba Cross Internal Street	14 000 000.00	15 563 260.82
Nwamitwa Bridge via Nhlengeleti School to Taxi Rank, Clinic via Lwandlamoni School to Nwamitwa/Mandlakazi Road from Gravel to Paving	14 000 000.00	15 563 260.82
<b>Total Capital</b>	<b>94 753 950.00</b>	<b>94 753 950.00</b>
PMU Administration	4 987 050.00	4 987 050.00
Total MIG allocation	<b>99 741 000.00</b>	<b>99 741 000.00</b>

### 2.8.3 Adjustments to Accommodate DBSA loan projects

After careful consideration, the Budget Steering Committee resolved that the following adjustments/additional allocations with regard to DBSA loan Capital projects be approved

PROJECT / INITIATIVE	2021/2022 Budget	2021/2022 Adjusted budget
Replace 2 x 20 MVA 66/11 kV at Tzaneen main sub PH3	R 4 320 503.13	R 2 753 557.36
Rebuilding of Deeside 11kv line	R 145 430.35	R 145 430.35
Rebuilding of Yarmona /Shivulari 11kv line ph2 (4km)	R 55 987.00	R 55 987.00
Rebuilding of Letaba Feeder 33KV line ph2	R 983 128.47	R 300 973.69
Refurbishment of the Ebenhezer 33kV Feeder ph3	R 1 500 000.00	R 1 170 512.71



Install 33kV voltage regulator on the 33kV Haenertsburg ring	R 3 750 000.00	R 4 274 433.74
California 11kV line (New from adjustment busget)	R 1 500 000.00	R 1 500 000.00
Capital Tools O&M	R 310 000.00	R 310 000.00
Capital Tools CRS	R 50 000.00	R 50 000.00
Reburbishment of the Ebenezer 33kV Feeder ph2	R 806 616.30	R 806 616.30
Haenertsburg Iron Crown 11kV line Ph2 (Mountain top)	R 599 000.00	R 599 000.00
33 & 11kV Auto Reclosers (NEW)	R -	R 2 054 154.10
<b><u>TOTAL</u></b>	<b><u>R 14 020 665.25</u></b>	<b><u>R 14 020 665.25</u></b>

## 2.9 mSCOA

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

## 2.10 SUMMARY

Transfers between Departments to the amount of R16 400 000 will be effected on the Municipalities 2021/2022 Adjustment Budget.

This amount is divided into different categories:

- Adjustments to accommodate Operational requests	R16 400 000.00
<b>TOTAL REQUESTS (TRANSFERS)</b>	<b><u>R16 400 000.00</u></b>

# 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 18.

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

## **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. H.A Nkuna

GREATER TZANEEN MUNICIPALITY

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

28 February 2022