



Verslag ♦ Ingxelo ♦ Report

Office of the Director: Financial Services
24 Maart 2023

5/1/1/1, 5/1/1/2 (2022/23)
WYK: Alle

ITEM 8.2 VAN DIE AGENDA VAN 'N GEWONE RAADSVERGADERING WAT GEHOU SAL WORD OP 30 MAART 2023

ONDERWERP: GOEDKEURING VAN DIE 2022/2023 SPESIALE AANSUIWERINGSKAPITAAL EN BEDRYFSBEGROTING

SUBJECT: APPROVAL OF THE 2022/2023 SPECIAL ADJUSTMENTS CAPITAL AND OPERATING BUDGET

1. BACKGROUND

The municipality received an additional grant allocation from the provincial government for Emergency Municipal Load-Shedding Relief, of which the detail of the funding was not confirmed at the time of the January 2023 Adjustments process. The reason for this special adjustments budget is to allocate the funding of R10 945 000 as per the promulgated Provincial Gazette Extraordinary (No.8719).

The purpose of the allocation is to provide a financial contribution to municipalities towards the purchase and installation of back-up energy supply (which may include generators, renewable power sources, batteries and all ancillary costs associated with the installation i.e.: switch gear, safe keeping, caging etc.) for water and wastewater infrastructure as an immediate response to the prolonged load-shedding, thereby mitigating the impact on the provision of basic services and potential health risks.

SECTION 28 MUNICIPAL ADJUSTMENTS BUDGETS

(2) An adjustments 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, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
- (e) may authorise 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.

2. HIGH-LEVEL DISCUSSION / MOTIVATION

The adjustments in respect of the Capital Budget for 2022/2023 will result in an increase of R10 945 000, which will increase the 2022/2023 capital budget from R167 894 804 to R178 839 804.

The adjustments in respect of the Operating Budget for 2022/2023 will result in the gross budgeted surplus of R61 496 587 increasing to R72 441 587 including capital grants and contributions. The adjustments will have no effect on the budgeted net deficit excluding capital grants and contributions of R6 448 923. **At this juncture it is appropriate to emphasize that the aforementioned net deficit of R6 448 923 is the more appropriate measurement of budgeted deficits** from a budgeted cash flow perspective.

The adjustments to the 2022/2023 balance sheet budget are mainly due to a combination of adjustments to the capital and operating budgets.

2.1 OPERATING EXPENDITURE

No adjustments were made to the operating expenditure except for virements already processed that must be allocated during this special adjustments budget.

Note: The difference between the actual adjustment amounts listed above and the adjustment amounts in the B-schedule are because of virements within departments that now also forms part of the proposed adjusted budget.

2.2 OPERATING REVENUE

An increase in revenue of R10 945 000 due to the following:

1. Transfers Recognised – Capital increases by R10 945 000 due to the Emergency Municipal Load-Shedding Relief Grant received.

2.3 CAPITAL EXPENDITURE

The capital budget must increase by R10 945 000 due to the Emergency Municipal Load-Shedding Relief Grant received, to be used towards the purchase and installation of back-up energy supply for water and wastewater infrastructure.

(See detail attached in Annexure A)

RECOMMENDATIONS (as recommended by the by the Executive Mayoral Committee on 22 March 2023)

- (a) That it be noted that the Budget Steering Committee convened to consider the explanations and motivations provided by the financial and engineering staff in a bid to advise the Executive Mayor on way forward;
- (b) That approval be granted to amend the high-level capital and operating budget for 2022/2023 with no amendments to the outer years as follows:

	Original Budget 2022/23	Mid-Year Adj Budget 2022/23	Special Adj Budget 2022/23	Adjustments	Original Budget 2023/24	Original Budget 2024/25
Capital budget	191 095 805	167 894 804	178 839 804	10 945 000	195 834 903	165 690 722
Operating Expenditure	1 029 331 855	1 025 575 992	1 025 575 992	-	1 061 375 491	1 139 864 061
Operating Revenue	1 093 983 961	1 087 072 579	1 098 017 579	10 945 000	1 123 993 179	1 174 158 797
Budgeted (Surplus)/ Deficit	(64 652 106)	(61 496 587)	(72 441 587)	(10 945 000)	(62 617 688)	(34 294 736)
Less: Capital Grants & Contributions	77 109 000	67 945 510	78 890 510	10 945 000	73 351 000	35 935 000
(Surplus)/ Deficit	12 456 894	6 448 923	6 448 923	-	10 733 312	1 640 264

- (c) That it be noted that the changes to the budget will have no impact on tariffs in respect of the 2022/2023 financial year or beyond and the budgeted net deficit of R6 448 923 will remain unchanged;
- (d) That the adjusted budget schedules as required by the Budget and Reporting Regulations be approved as set out in **(Annexure B: Budget Report and B-Schedules 2022/23 – 2024/25)**;

- (e) That the Director: Financial Services adhere to the requirements of the Budget Circulars and Budget Reforms in the context of the reporting requirements to Provincial and National Treasury;
- (f) That the Service Delivery Budget Implementation Plan (SDBIP) where appropriate be amended accordingly.

AANBEVELINGS (soos aanbeveel deur die Uitvoerende Burgemeesterskomitee op 22 Maart 2023)

- (a) Dat kennis geneem word dat die Begrotingsbeheerkomitee vergader het om die verduidelikings en motiverings van die finansiële en ingenieurspersoneel te oorweeg in 'n poging om die Uitvoerende Burgemeester te adviseer insake die pad vorentoe;
- (b) Dat goedkeuring verleen word om die hoë-vlak kapitaal- en bedryfsbegroting vir 2022/2023 as volg te wysig met geen veranderinge aan die buite jare nie;

	Oorspronklike Begroting 2022/23	Half-Jaarlikse Aansuiwerings begroting 2022/23	Spesiale Aansuiwerings begroting 2022/23	Aanpassings	Oorspronklike Begroting 2023/24	Oorspronklike Begroting 2024/25
Kapitaalbegroting	191 095 805	167 894 804	178 839 804	10 945 000	195 834 903	165 690 722
Bedryfsuitgawes	1 029 331 855	1 025 575 992	1 025 575 992	-	1 061 375 491	1 139 864 061
Bedryfsinkomste	1 093 983 961	1 087 072 579	1 098 017 579	10 945 000	1 123 993 179	1 174 158 797
Begrote (Surplus)/ Tekort	(64 652 106)	(61 496 587)	(72 441 587)	(10 945 000)	(62 617 688)	(34 294 736)
Minus: Kapitaal Toekennings & Donasies	77 109 000	67 945 510	78 890 510	10 945 000	73 351 000	35 935 000
(Surplus)/ Tekort	12 456 894	6 448 923	6 448 923	-	10 733 312	1 640 264

- (c) Dat kennis geneem word dat die veranderinge in die begroting geen impak op tariewe het ten opsigte van die 2022/2023 finansiële jaar of verder nie en dat die begrote netto tekort van R6 448 923 onverander bly;
- (d) Dat die aangepaste begrotingskedules soos vereis deur die Begroting en Verslagdoening Regulasies goedgekeur word soos vervat in **(Annexure B: Budget Report and B-Schedules 2022/23 – 2024/25)**;
- (e) Dat die Direkteur: Finansiële Dienste voldoen aan die vereistes van die Begrotingsomsendbriewe en –formate in die konteks van die verslagdoeningsvereistes aan Provinsiale en Nasionale Tesourie;
- (f) Dat die Dienslewering – en Begroting Implementeringsplan (SDBIP) toepaslik dienooreenkomstig gewysig word.

(Get) M BOLTON

DIREKTEUR: Finansiële Dienste