

**REPORT TO THE uMGUNGUNDLOVU DISTRICT MUNICIPAL
COUNCIL**



File Reference : Author : L.M. AFRICA
Report Number: Designation: ACTING CHIEF FINANCIAL OFFICER

For consideration

1st Level – EXCO :
2nd Level – Council : 10/06/2020

SUBJECT: SPECIAL ADJUSTMENT BUDGET : 2019/20
DATE : 10 JUNE 2020

1. STRATEGIC OBJECTIVE

To obtain Council approval of the Special Adjustment Budget estimates for the 2019/20 MTREF period in terms of Section 28 of the Local Government Municipal Finance Management Act, 56 of 2003.

2. LEGISLATIVE REQUIREMENTS

Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA)
Municipal Budget & Reporting Regulations (GN 393 in GG32141 dated 17 April 2009)

3. ATTACHMENTS

1. Draft MTREF Adjustment Budget Estimates - 2019/20.

4. BACKGROUND

During the preparation and adoption of the 2019/20 MTREF budget Council adopted a budget that was unfunded. A plan to ensure that the budget was funded over the MTREF period was subsequently adopted with the implementation of the financial recovery plan.

In terms Section 28 of the MFMA, a municipality may revise its adopted budget through an adjustment budget. The adjustment budget -

- (i) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- (ii) may appropriate additional revenues that have become available above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- (iii) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the Mayor of the municipality;

- (iv) may authorise the utilisation of projected savings in one vote towards spending under another vote;
- (v) may authorise the spending of funds that were unspent at the end of the part financial year where the under-spending could not reasonable have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- (vi) may correct any errors in the annual budget; and
- (vii) may provide for any other expenditure within a prescribed framework.

5. DISCUSSION

The municipality has received correspondence from National Treasury to the effect that all municipalities must review their budgets as adopted to ensure that the effects of COVID19 on the budget are covered. This must be done on or before the 15th of June 2020.

Therefore, we have to revise our budget estimates and submit to National Treasury as well as Provincial Treasury before the 15th June 2020.

The municipality received a further allocation of R894 000 from National COGTA to assist in interventions towards alleviating the effects of COVID19.

The budget estimates for the 2019/20 MTREF period have been revised and an adjustment budget is tabled to Council for consideration.

An overview of the draft adjustment budget as proposed reveals the following:

2019/20 MTREF						
	<u>Original Budget</u> <u>2019/20</u>	<u>Special ADJ</u> <u>Budget 2019/20</u>	<u>Normal ADJ</u> <u>Budget 2019/20</u>	<u>Forecast 2019/20</u>	<u>YTD Actual</u>	<u>Special Normal ADJ</u> <u>Budget 2019/20</u>
Operating Revenue	936 086 078	936 086 078	900 921 399	718 675 511	659 122 882	877 055 926
Operating Expenditure	913 303 867	814 753 867	813 392 918	677 807 454	621 323 499	807 210 907
Operating Surplus / (Deficit)	22 782 211	121 332 211	87 528 481	40 868 057	37 799 383	69 845 019
Capital Transfers Recognized	184 625 000	184 625 000	184 625 000	140 552 770	128 840 039	184 625 000
Surplus / (Deficit) for the year	207 407 211	305 957 211	272 153 481	181 420 827	166 639 422	254 470 019
Capital Funding	184 625 000	184 625 000	184 625 000	-	128 840 039	184 625 000
Capital Transfers	184 625 000	184 625 000	184 625 000	-	128 840 039	184 625 000
Reserves	-	-	-	-	-	-
LESS: Capital Expenditure	184 625 000	184 625 000	184 625 000	-	128 840 039	184 625 000
Budget Cash Surplus	22 782 211	121 332 211	87 528 481	181 420 827	37 799 383	69 845 019
ADD: Non-Cash Items	150 089 069	92 589 069	108 500 000	83 016 375	76 098 344	110 500 000
Net Budget Cash Position	172 871 280	213 921 280	196 028 481	264 437 202	113 897 727	180 345 019

Capital budget

The capital budget is 100% funded from grants with the bulk of the funding coming from the Municipal Infrastructure Grant (MIG). The capital budget is proposed to be adjusted in order to provide clean and safe drinking water to our communities during the COVID19 pandemic; some projects have been brought forward necessitating the reallocation of the funding received.

CAPITAL EXPENDITURE PROGRAMME FOR THE 2019/20 MTREF PERIOD

Project Name	Funding Source	2019/20 MTREF			Special Normal ADJ. Budget 2019/20
		Budget 2019/20	Adjustment Budget 2019/20	YTD Actual 2019/20	
Water Provision					
Nkanyezini Water	MIG	32 560 276.00	13 919 241.00		4 900 000.00
Manzamyama Water	MIG	34 383 724.00	32 904 602.00		43 122 071.21
Mpolweni, Thokozani, Claridge	MIG	5 000 000.00	13 897 860.00		10 317 481.66
Trust Feeds Phase 1	MIG	20 000 000.00	12 616 679.00		3 400 000.00
Maqonqo Water	MIG	-	5 214 482.00		8 258 212.51
Manyavu Water	MIG	-	6 634 149.00		17 289 246.56
Hilton AC	MIG	-	4 721 355.00		4 721 354.54
Merrivale AC	MIG	-	2 035 634.00		2 035 633.52
Enguga Entshayabantu & Macksam CWSS Phase 5	MIG	-	-		500 000.00
Mbhava & Mpethu Swayimane Water Supply Phase 2	MIG	-	-		500 000.00
KwaMathwanya Water Reticulation	MIG	-	-		400 000.00
		91 944 000.00	91 944 002.00	59 616 918.00	95 444 000.00
Water Provision					
Nadi - Efaye Phase 2(uMshwathi Regional Bulk)	WSIG	41 878 808.80	41 878 808.80		49 000 000.00
Mukwa & Mt. Alias Phase 3A (uMshwathi Regional Bulk)	WSIG	1 696 474.20	1 696 474.20		1 200 000.00
Nadi to Ekhamanzi Phase 3B	WSIG	36 424 717.00	36 424 717.00		27 000 000.00
Montobello & Harburg	WSIG	-	-		2 800 000.00
Greater Efaye	WSIG	-	-		
Ozwathini	WSIG	-	-		
		80 000 000.00	80 000 000.00	67 347 361.00	80 000 000.00
Sanitation Provision					
uMshwathi VIP Backlog Toilets	MIG	2 000 000.00	2 000 000.00		1 500 000.00
Impendle VIP Backlog Toilets	MIG	1 000 000.00	1 000 000.00		1 000 000.00
Mkhambathini VIP Backlog Toilet	MIG	2 000 000.00	2 000 000.00		1 000 000.00
Umngeni VIP Backlog Toilets	MIG	2 000 000.00	2 000 000.00		1 000 000.00
Richmond VIP Backlog Toilets	MIG	2 000 000.00	2 000 000.00		1 000 000.00
Mpofana VIP Backlog Toilet	MIG	1 000 000.00	1 000 000.00		1 000 000.00
		10 000 000.00	10 000 000.00	-	6 500 000.00
Rural Roads Asset Management					
Planning of Rural Roads Maintenance	RRAMS	2 681 000.00	2 681 000.00	1 875 758.00	2 681 000.00
		2 681 000.00	2 681 000.00	1 875 758.00	2 681 000.00
CAPEX Summary					
Projects					
Water Provision - MIG	MIG	91 944 000.00	91 944 002.00	59 616 918.00	95 444 000.00
Water Provision - WSIG	WSIG	80 000 000.00	80 000 000.00	67 347 361.00	80 000 000.00
Sanitation Provision	MIG	10 000 000.00	10 000 000.00	-	6 500 000.00
Rural Roads Asset Management	RRAMS	2 681 000.00	2 681 000.00	1 875 758.00	2 681 000.00
Energy Efficiency and Demand Side Management	EEDSM				
		184 626 000.00	184 626 002.00	128 840 037.00	184 626 000.00
Funding					
Municipal Infrastructure Grant (MIG)		101 944 000.00	101 944 000.00	101 944 000.00	101 944 000.00
Water Services Infrastructure Grant (WSIG)		80 000 000.00	80 000 000.00	80 000 000.00	80 000 000.00
RRAMS		2 681 000.00	2 681 000.00	2 681 000.00	2 681 000.00
Energy Efficiency and Demand Side Management					
		184 626 000.00	184 626 000.00	184 626 000.00	184 626 000.00

Tariffs and Service Charges

There are no adjustments proposed on the approved tariffs and service charges.

6. FINANCIAL IMPLICATIONS AND COMMENTS

The revised budget revenue estimates is increased by **0.22%** while operating expenditure decreases by **0.76%** when compared to the 2019/20 normal adjusted budget as adopted by Council.

7. LEGAL IMPLICATIONS AND COMMENTS

The Mayor of the municipality is required in terms of Sec 28 (4) of the MFMA to table the draft adjustment budget to Council.

8. RECOMMENDATIONS

It is recommended that the Executive Committee recommends to Council **THAT:**

1. Council considers the proposed special adjustment budget estimates for the 2019/20 MTREF period as follows:
 - a) The proposed budget funding of **R1 061 680 926** be approved to be funded from the following:

Operating Revenue	R877 055 926
Grant Funding	R184 625 000
 - b) The proposed expenditure appropriations of **R991 845 019** be approved and be allocated as follows:

Operating Expenditure	R807 210 907
Capital Programme	R184 625 000
 - c) The capital expenditure programme of **R184 625 000** be approved and funded from the following sources:

MIG	R101 944 000
WSIG	R 80 000 000
RRAMS	R 2 681 000
 - d) The funding allocation for UMEDA be approved at R5 083 500 for the 2019/20 financial year;
 - e) The tariff charges for water and sanitation will remain as adopted by Council in the original budget;

2. The approved special adjustment budget estimates be made public in the manner envisaged by Chapter 4 of the Local Government: Municipal Systems Act;

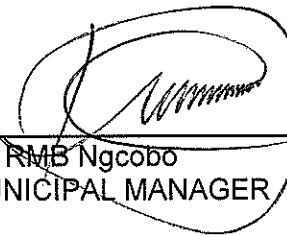
3. The Accounting Officer submit the special adjustment budget as well as all supporting schedules and documentation as required by Sec 17(3) of the MFMA to both the Provincial and National Treasuries.

Authored by:



Linda M. AFRICA
ACTING CHIEF FINANCIAL OFFICER

Approved By:



Dr. RMB Ngcobo
MUNICIPAL MANAGER