

SALDANHA BAY MUNICIPALITY
REPORT TO THE MUNICIPAL COUNCIL

SUBJECT: BUDGET 2021/22: ADJUSTMENTS BUDGET
(ADDITIONAL ALLOCATIONS)

DIRECTORATE: FINANCE

AUTHOR: M CORNETT

DATE: January 2022

FILE NO: 5/1/1 – 2021/22

ITEM NUMBER: R.....

1. PURPOSE OF THE REPORT

To submit an adjustments budget for 2021/2022 to council based on additional grant funding that has become available.

2. BACKGROUND

An extraordinary Gazette (no 8531) was issued by the Provincial Minister of Finance and Economic Opportunities, Mr David Maynier on 15 December 2021, whereby an additional amount of R 8 659 000 was allocated to the municipality. The municipality further decreased the human settlement grant allocation where it is already foreseen that projects will not be implemented in the current year. The effect of the additional funding on the operating- and capital budget is as follows:

Operating Income and Expenditure:

| Operating Adjustment Budget | | | | |
|--|----------------------|--------------------|--------------------|----------------------|
| January 2022 | | | | |
| | ADJB | Grant | Other | ADJB |
| | Aug 2021 | Adjustments | Adjustments | Jan 2022 |
| | R | R | R | R |
| Revenue By Source | | | | |
| Property Rates | 253,354,721 | - | - | 253,354,721 |
| Service Charges: Electricity | 419,580,000 | - | - | 419,580,000 |
| Service Charges: Water | 150,050,027 | - | - | 150,050,027 |
| Service Charges: Waste Water Management | 83,630,233 | - | - | 83,630,233 |
| Service Charges: Waste Management | 80,498,356 | - | - | 80,498,356 |
| Rental of facilities and equipment | 9,985,803 | - | - | 9,985,803 |
| Interest earned - external investments | 35,599,261 | - | - | 35,599,261 |
| Interest earned - outstanding debtors | 11,166,014 | - | - | 11,166,014 |
| Fines Penalties and Forfeits | 19,639,775 | - | - | 19,639,775 |
| Licences or Permits | 1,665,530 | - | - | 1,665,530 |
| Agency Services | 10,822,225 | - | - | 10,822,225 |
| Transfers and Subsidies: Operational | 142,631,372 | 632,385 | - | 143,263,757 |
| Other Revenue | 15,527,507 | - | - | 15,527,507 |
| Total Revenue (excluding capital transfers and contributions) | 1,234,150,824 | 632,385 | - | 1,234,783,209 |
| Expenditure By Type | | | | |
| Employee Related Cost | 436,519,823 | 1,508,000 | 6,558,851 | 444,586,674 |
| Remuneration of Councillors | 13,971,502 | - | - | 13,971,502 |
| Debt impairment | 59,770,032 | - | - | 59,770,032 |
| Depreciation and Amortisation | 152,324,511 | - | - | 152,324,511 |
| Finance charges | 18,726,096 | - | - | 18,726,096 |
| Bulk Purchases | 330,000,000 | - | - | 330,000,000 |
| Contracted Services | 124,650,050 | (875,615) | (5,621,064) | 118,153,371 |
| Other Materials | 82,627,083 | - | (886,961) | 81,740,122 |
| Transfers and Subsidies | 6,198,107 | - | (20,532) | 6,177,575 |
| Other Expenditure | 67,945,501 | - | (30,294) | 67,915,207 |
| (Loss) gain on disposal of assets | 8,424,173 | - | - | 8,424,173 |
| Total Expenditure | 1,301,156,878 | 632,385 | - | 1,301,789,263 |
| Surplus/(Deficit) | (67,006,054) | - | - | (67,006,054) |
| Transfers and Subsidies: Capital | 56,041,948 | 8,026,615 | (9,216,482) | 54,852,081 |
| Surplus/(Deficit) after capital transfers & contributions | (10,964,106) | 8,026,615 | (9,216,482) | (12,153,973) |

Table 1: Operating Adjustment Budget

Capital budget:

Per Vote

| Capital Adjustment Budget January 2022 | | | | |
|---|--------------------|----------------------|----------------------|--------------------|
| Directorate | ADJB Aug 2021 | Grant Adjustments | Other Adjustments | ADJB Jan 2022 |
| Finance | 1,380,519 | - | - | 1,380,519 |
| Community & Operations | 31,827,624 | - | - | 31,827,624 |
| Infrastructure & Planning Services | 293,868,525 | 7,836,615 | (9,216,482) | 292,488,658 |
| Corporate & Protection | 21,094,776 | 190,000 | - | 21,284,776 |
| Office of the MM Council | 593,604 | - | - | 593,604 |
| Economic Development and Strategic Services | 26,532,524 | - | - | 26,532,524 |
| TOTAL | 375,297,572 | 8,026,615 | (9,216,482) | 374,107,705 |

Table 2: Capital ADJB per Vote

Per Funding Source

| Capital Adjustment Budget January 2022 | | | | |
|---|--------------------|----------------------|----------------------|--------------------|
| Funding Source | ADJB Aug 2021 | Grant Adjustments | Other Adjustments | ADJB Jan 2022 |
| Capital Replacement Reserve | 239,326,228 | - | - | 239,326,228 |
| External Financing Fund (Annuities) | 79,929,389 | - | - | 79,929,389 |
| Conditional Grants (Provincial) | 30,097,453 | 8,026,615 | (9,216,482) | 28,907,586 |
| Conditional Grants (National) | 24,371,050 | - | - | 24,371,050 |
| Donations | 1,573,452 | - | - | 1,573,452 |
| TOTAL | 375,297,572 | 8,026,615 | (9,216,482) | 374,107,705 |

Table 3: Capital ADJB per Fund

3. LEGISLATIVE COMPLIANCE

Section 28 of the MFMA stipulates inter alia the following:

In terms of Section 28 (a) of the MFMA, an adjustment budget must adjust the revenues and expenditure estimates downwards if there is material under- collection of revenue during the year;

In terms of section 28 (b) of the MFMA, an adjustment budget –may appropriate additional revenue that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.

Municipal Budget and Reporting regulation 23(3)

The Municipal Budget and Reporting regulation 23(3) stipulates that an adjustments budget referred to in section 28(2) (b) of the Act must be tabled at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustment budget.

4. PART 1 – ADJUSTMENT BUDGET

4.1 Mayors Report

- a) The municipal budget will be adjusted to account for the inclusion of additional revenue that will be received as well as adjusted downwards, where projects will not be implemented, and revenues will not realise.
- b) It is therefore recommended that council approves the adjustment budget for the 2021/2022 financial year as tabled herewith.
- c) It is further recommended that relevant departments submit revised service delivery and budget implementation plans to the Mayor for approval within 10 days after the approval of this adjustments budget.

4.2 Resolutions

The recommendations at the end of the report will contain the prescribed recommended resolutions as required in terms of the MBRR.

4.3 Executive summary

Due to additional grant funding that will be received, as well as housing projects that will not commence in this year, the municipal budget will be adjusted to account for the change in revenue.

4.4 Adjustments Budget

4.4.1 Operating Budget

The Operating revenue, Transfers and Grants: Operating will be adjusted upwards by the additional R 632 385.

4.4.2 Capital Budget

Grant related projects will be adjusted upwards with R8 026 615 as indicated in the detailed capital budget document. Other adjustments, moving projects to the next financial year amounts to R9 216 482 as these projects and the coupled revenue will not realise in the current financial year. The total adjustment capital budget as approved in January 2022 will now amount to **R374 107 705**.

5. ATTACHMENTS

- Annexure “A”** B-Schedules as prescribed;
- Annexure “B”** Adjustments Capital Budget per funding source and per Department;
- Annexure “C”** Adjustments Capital Budget per ward;
- Annexure “D”** The Provincial Gazette;
- Annexure “E”** Signed quality certificate

6. GENERAL REMARKS

From the above information, the adjustments budget is necessary to reflect the correct revenue and expenditure after considering the Provincial Gazette and other material grant revenue that will not materialise.

7. RECOMMENDATION

It is recommended:

- I. That the report be noted;
- II. That the adjustments budget for 2021/2022 as contained in Annexure "A", be approved and submitted to National Treasury and Provincial Treasury: Western Cape;
- III. That the detailed adjustments capital budget per source of funding and per department as contained in Annexure "B" be noted;
- IV. That the detailed adjustments capital budget per ward as contained in Annexure "C" be noted;
- V. That the gazette containing the additional grant funds as contained in Annexure "D" be noted;
- VI. That the signed quality certificate attached as Annexure "E" be noted; and
- VII. That the SDBIP and the applicable performance agreements be adjusted accordingly;