

## Section 2: Finance

ITEM M/ / 02/23

### 2<sup>nd</sup> Adjustment Budget – Adjustment Budget of the 2023/24 MTREF

**Directorate:** Finance & Corporate Services  
**File Ref:** 9/1/3/4

**Demarcation** : All Wards  
**Delegation:** MayCo

**Attachment** : Annexure “A” – Adjustment Budget Report  
: Annexure “B” – B Schedule  
: Annexure “C” – Quality Certificate  
: Annexure “D” – Adjusted Capital Programs

**Report from** : Acting Director: Financial Services

**Date** : December 2023

#### **Purpose of the report**

To account for the approved roll-overs from the 2022/2023 MTREF to the 2023/2024 MTREF as per Section 28 of the MFMA

#### **Background/Discussion**

In terms of section 28 of the MFMA a municipality may revise an approved annual budget through an adjustments budget. Furthermore according to Section 28(2)(b) of the act gives permission that the Mayor may table within 60 days of receiving additional funding from National or Provincial an adjustment budget to 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.

#### **Executive Summary**

##### **Adjustment highlights**

Operating Budget:

The following adjustments were affected:

Revenue by Source

The following table reflects the approved 2023/2024 MTREF, the proposed adjustments budget and the adjustments budget movements:

## Section 2: Finance

WC047 Bitou - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 11/12/2023

Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
<b>Revenue</b>												
<b>Exchange Revenue</b>												
Service charges - Electricity	2	241 830	241 830	-	-	-	-	-	-	241 830	278 221	320 103
Service charges - Water	2	86 725	86 725	-	-	-	-	-	-	86 725	90 714	94 887
Service charges - Waste Water Management	2	77 663	77 663	-	-	-	-	-	-	77 663	81 236	84 973
Service charges - Waste Management	2	58 016	58 016	-	-	-	-	-	-	58 016	57 085	61 034
Sale of Goods and Rendering of Services		11 571	11 571	-	-	-	-	-	-	11 571	8 443	8 831
Agency services		3 014	3 014	-	-	-	-	-	-	3 014	3 153	3 298
Interest earned from Receivables		13 282	13 282	-	-	-	-	-	-	13 282	11 964	10 645
Interest earned from Current and Non Current Assets		4 950	4 950	-	-	-	-	-	-	4 950	5 200	5 326
Rental from Fixed Assets		1 030	1 030	-	-	-	-	-	-	1 030	1 118	1 214
Licence and permits		589	589	-	-	-	-	-	-	589	616	644
Operational Revenue		2 207	2 207	-	-	-	-	-	-	2 207	2 433	1 046
<b>Non-Exchange Revenue</b>												
Property rates		179 779	179 779	-	-	-	-	-	-	179 779	191 710	204 432
Surcharges and Taxes		1 500	1 500	-	-	-	-	-	-	1 500	1 553	1 684
Fines, penalties and forfeits		31 699	31 699	-	-	-	-	-	-	31 699	33 065	34 491
Licences or permits		696	696	-	-	-	-	-	-	696	728	761
Transfer and subsidies - Operational		163 277	163 277	-	-	-	-	4 442	4 442	167 719	270 154	265 575
Interest		3 759	3 759	-	-	-	-	-	-	3 759	3 384	3 008
Operational Revenue		15 518	15 518	-	-	-	-	-	-	15 518	16 205	16 950
Gains on disposal of Assets		3 950	3 950	-	-	-	-	-	-	3 950	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>901 055</b>	<b>901 055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 442</b>	<b>4 442</b>	<b>905 497</b>	<b>1 056 980</b>	<b>1 118 902</b>

The above table indicates a total operating revenue (excluding capital transfers and contributions) of R 905 496 534 for the 2023/2024 adjustments budget an increase of R 4 441 951. The following revenue sources were adjusted:

### Transfers and Subsidies (Operating)

Transfers and Subsidies (Operating) increases with R 4 441 951.

### Expenditure by Type

The following tables reflects the approved 2023/2024 MTREF, the proposed adjustments budget and the increase/decrease:

WC047 Bitou - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 11/12/2023

Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
<b>Expenditure By Type</b>												
Employee related costs		333 063	333 013	-	-	-	-	-	-	333 013	353 642	375 850
Remuneration of councillors		7 674	7 674	-	-	-	-	-	-	7 674	8 050	8 428
Bulk purchases - electricity		206 241	206 241	-	-	-	-	-	-	206 241	214 478	235 925
Inventory consumed		19 543	19 867	-	-	-	-	1	1	19 867	22 300	21 734
Debt impairment		18 270	18 270	-	-	-	-	-	-	18 270	19 001	19 894
Depreciation and amortisation		40 059	40 059	-	-	-	-	-	-	40 059	42 062	43 324
Interest		13 428	13 428	-	-	-	-	-	-	13 428	16 257	18 829
Contracted services		95 793	95 534	-	-	-	-	4 085	4 085	99 619	145 240	142 099
Transfers and subsidies		12 230	11 430	-	-	-	-	395	395	11 825	6 300	6 600
Irrecoverable debts written off		64 900	64 900	-	-	-	-	-	-	64 900	58 575	52 255
Operational costs		89 075	89 860	-	-	-	-	11	11	89 871	101 695	106 698
<b>Total Expenditure</b>		<b>900 274</b>	<b>900 274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 492</b>	<b>4 492</b>	<b>904 766</b>	<b>987 598</b>	<b>1 031 636</b>

## Section 2: Finance

The adjustments on the operating expenditure were mainly due to the following reasons:

### *Contracted Services*

Increased with R4 084 841 this is mainly due to additional Housing and approved Grant rollovers.

### *Transfers and Subsidies*

Increased with R390 000 as we received grant funding from the district municipality toward tourism.

### *Operational Costs*

Increased with R11 000 this is mainly due to approved grant rollovers.

## **2022/2023 Capital Budget Adjustments**

Full details of proposed amendment to the 2023/2024 capital budget are reflected in Table below

WC047 Bitou - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 11/12/2023												
Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted 5	Accum. Funds 6	Multi-year capital 7	Unfore. Unavoid. 8	Nat. or Prov. Govt 9	Other Adjusts. 10	Total Adjusts. 11	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	2											
Vote 3 - Community Services		4 780	4 780	-	-	-	-	-	-	4 780	8 669	9 722
Vote 4 - Corporate Services		1 016	1 016	-	-	-	-	-	-	1 016	4 459	1 000
Vote 7 - Engineering Services		40 959	42 894	-	-	-	-	-	-	42 894	70 586	73 886
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	3	<b>46 755</b>	<b>48 690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48 690</b>	<b>83 714</b>	<b>84 608</b>
<b>Single-year expenditure to be adjusted</b>	2											
Vote 2 - Office of the Municipal Manager		1 000	1 000	-	-	-	-	-	-	1 000	-	-
Vote 3 - Community Services		835	1 686	-	-	-	-	-	-	1 686	300	-
Vote 4 - Corporate Services		561	561	-	-	-	-	-	-	561	-	-
Vote 6 - Economic Development & Planning		304	304	-	-	-	-	-	-	304	-	-
Vote 7 - Engineering Services		59 977	64 404	-	-	-	-	19 819	19 819	84 223	5 027	8 789
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>62 677</b>	<b>67 955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 819</b>	<b>19 819</b>	<b>87 775</b>	<b>5 327</b>	<b>8 789</b>
<b>Total Capital Expenditure - Vote</b>		<b>109 432</b>	<b>116 645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 819</b>	<b>19 819</b>	<b>136 464</b>	<b>89 041</b>	<b>93 397</b>

The capital budget increases with R 19 819 392.18 from R 116 644 962 to R 136 464 353.

The increases and decreases in the 2023/24 financial year, as reflected in the table above, are explained below.

### **Grants amendments:**

The following roll-over and additional funding has been approved.

### **Informal Settlements:**

Funding amounting to R 16 000 000 has been approved.

Funding amounting to R 3 000 000 has been moved to operational expenditure

### **MIG:**

Roll-over amounting to R 8 176 783.48 has been approved

Reduction as per gazette amounting to R 1 357 391.30 has been included

## Section 2: Finance

### Adjustments to Budget Funding

The proposed adjustments will be funded as follows:

WC047 Bitou - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 11/12/2023												
Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
<b>Funded by:</b>												
National Government		23 581	23 581	-	-	-	-	6 819	6 819	30 400	25 421	27 097
Provincial Government		10 754	12 414	-	-	-	-	13 000	13 000	25 414	-	-
Transfers recognised - capital	4	34 335	35 985	-	-	-	-	19 819	19 819	55 814	25 421	27 097
Borrowing		45 150	47 673	-	-	-	-	-	-	47 673	36 320	42 300
Internally generated funds		29 947	32 978	-	-	-	-	-	-	32 978	27 300	24 000
<b>Total Capital Funding</b>		<b>109 432</b>	<b>116 645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 819</b>	<b>19 819</b>	<b>136 464</b>	<b>89 041</b>	<b>93 397</b>

Grants received from the Provincial Government increase by R 13 000 000 from R 12 413 820 to R 25 413 820.

Grants received from the National Government increase by R 6 819 392 from R 23 580 870 to R 30 400 261

As can be seen on the Table B8, the adjustment budget is funded however the municipality needs to ensure it improves its reserves and working capital to ensure that non-cash items and provisions are cash backed.

### Conclusion

The Revenue Adjustment Budget (excluding capital transfers) increased with R4 441 951 from R 901 054 583 to R 905 496 534

The Expenditure Adjustment Budget increases with R4 491 576 from R 900 274 440 to R 904 766 016.

The overall budgeted surplus increases with R 20 792 676 from R 39 907 615 to R 60 700 291

The capital budget increases with R 19 819 392.18 from R 116 644 962 to R 136 464 353.

### Legal Requirements

The Municipal Finance Management Act – No. 56 of 2003 Section 28. Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations (MBRR)

### Financial Implications

Financial implications are attached on the attached budget schedules as per Annexure A

### RELEVANT LEGISLATION

The Municipal Finance Management Act – No. 56 of 2003 Section 28 Municipal adjustment budgets. Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations (MBRR)

## **Section 2: Finance**

### **RECOMMENDED BY THE MAYOR**

- a. That the 2nd annual adjustments budget of Bitou Municipality as contained in the undermentioned tables for the financial year 2023/2024, be approved as follows:
  - i. Table B2: Adjustments Budget Financial Performance (expenditure by standard classification)
  - ii. Table B3: Adjustments Budget Financial Performance (expenditure by municipal vote)
  - iii. Table B4: Adjustments Budget Financial Performance (revenue by source)
  - iv. Table B5: Adjustments Budget Capital Expenditure for both multi-year and single year by vote, standard classification and funding
  - v. Table B6: Budgeted Financial Position
  - vi. Table B7: Budgeted Cash Flow
  - vii. Table B8: Cash backed reserves/Accumulated surplus reconciliation
  - viii. Table B9: Asset Management
  - ix. Table B10: Basic service delivery measurement
  - x. Supporting Tables SB1 – SB 20
- b. That the Departmental SDBIP be reviewed within directorates where applicable
- c. That the adjustments budget be submitted to the authorities and in the format as required by law