



Fezile Dabi

District Municipality

ADJUSTMENT BUDGET

2020/21 TO 2022/23

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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PART 1

RESOLUTIONS

- (a) The Council of Fezile Dabi District Municipality scheduled a meeting to approve the adjustment budget for the financial year 2020/21 – 2022/23 to be on the 26th of February 2021.
- (b) That the adjustment budget documentation for 2020/21 – 2022/23 as outlined in the budget regulations be submitted to National and Provincial government or organ of state after approval by the Council.

EXECUTIVE SUMMARY

The Council that sat on the 28th of January 2021 discussed the Mid-Year Budget and Performance assessment for 2020/21 financial year according to Section 72 of the MFMA. The council approved the report and made the recommendation to adjust the Medium Term Revenue and Expenditure Framework.

TOTAL INCOME

Table B4 **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

OPERATING GRANT	ADJUSTED BUDGET	ADJUSTED BUDGET	BUDGET YEAR	BUDGET YEAR
REVENUE	2020/21	2020/21	2021/22	2022/23
Operating Grant and Subsidies	165 343 000	172 543 000	167 399 000	172 882 000
Capital Grants and Subsidies	2 206 000	2 206 000	2 827 000	2 462 000
Interest earned – External Investment	8 000 000	8 000 000	8 384 000	8 786 432
Operational Revenue	310 000	310 000	324 880	340 474
Sale and Rendering of Services	1 140 000	30 000	41 920	43 932
Transfer from Accumulated Sur	13 322 150	12 334 850	18 658 244	25 413 391
Total Revenue	<u>190 321 150</u>	<u>195 423 850</u>	<u>197 635 044</u>	<u>209 928 229</u>

Revenue Notes

- There is also R7, 5 million added to grant and subsidies a financial assistant from (COGTA).
- The operating grants and subsidies decreased by R 300 000 energy and efficient (Demand management) Grant.
- Sale of rendering services was reduced by R1million for proceeds that was expected from cancelled HIV & AIDS Benefits concert. R10 000 reduction of tender income was reduced as a results of Corvid 19 the initial estimate was based on fully operational municipality

TOTAL EXPENDITURE

Table B4

	APPROVED BUDGET 2020/21 (R)	ADJUSTED BUDGET 2020/21 (R)	BUDGET YEAR 2021/22 (R)	BUDGET YEAR 2022/23 (R)
Employee Related Cost	119 190 800	117 675 500	126 428 554	134 330 338
Remuneration of Councillors	8 758 000	8 758 000	8 862 422	9 319 028
Depreciation & Asset Impairment	3 000 000	3 000 000	3 144 000	3 294 912
Materials and bulk purchases	2 035 900	2 155 900	2 075 983	2 175 630
Transfers and grants	4 090 000	3 825 000	3 657 520	3 833 081
Contracted Services	27 652 000	33 509 101	29 489 101	29 785 040
Other Expenditure	25 469 450	25 586 249	25 762 878	27 014 471
Loss on Disposal of PPE	-	-	-	-
Capital Expenditure	160 000	914 100	167 680	175 729
Total Expenditure	<u>190 321 150</u>	<u>195 423 850</u>	<u>197 635 044</u>	<u>209 928 229</u>

Expenditure Notes

- Employee salaries and allowances was reduced because vacant positions will be filled in the new financial year 2021/2022.
- Remunerations of councilors no changes made.
- Depreciation and Amortization remained the same no adjustments made.
- Other Material increased by R125 000 because departments were under budgeted (LED, MM, CSS)
- Contracted services increase by R 7,1million due to continuing litigations against municipality and the improvement on infrastructure for IT Department (Financial Assistant Grant COGTA).
- Capital expenditure increased by R754 100 because of IT Equipment, replacement of Air-conditions in the offices and new backup generator in Frankfort fire station.

BREAKDOWN OF TOTAL INCOME

OPERATING GRANTS AND SUBSIDIES

	APPROVED BUDGET (R) 2020/21	ADJUSTMENT BUDGET <u>2020/21</u>
Equitable share	12 970 000	12 970 000
Local government financial management grant	1 000 000	1 000 000
Fuel levy (RSC Levy Replacement grant)	148 073 000	148 073 000
Rural road assets management grant	2 206 000	2 206 000
Energy Efficient & demand side management grant	3 000 000	2 700 000
Municipal Systems Improvement Grant	300 000	300 000
Municipal Disaster Relief grant (Covid 19)	0	0
Financial Assistance grant (COGTA)	0	7 500 000

TOTAL OPERATING GRANTS	<u>167 549 000</u>	<u>174 749 000</u>
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GRANTS NOTES

- Reduction of Energy efficient & Demand Grant by R300 000.
- Additional allocation of R 7, 5 million for financial assistance from (COGTA) for IT Infrastructure.

INTEREST EARNED-EXTERNAL INVESTMENTS

	APPROVED BUDGET 2020/21	ADJUSTED BUDGET 2020/21
Current and general - interest	1 500 000	1 500 000
Investment interest	6 500 000	6 500 000
TOTAL INTEREST RECEIVED	<u>8 000 000</u>	<u>8 000 000</u>

- No adjustments made

OPERATIONAL REVENUE

Description	APPROVED BUDGET (R)	ADJUSTMENT BUDGET (R)
Bad debt recovered	-	-
Staff recoveries	200 000	200 000
Insurance refund	10 000	10 000
Skills development levy	100 000	100 000
LGSETA Learnership grant for youth	0	0
Total Operational Revenue	<u>310 000</u>	<u>310 000</u>

No adjustments made

SALE OF GOODS AND RENDERING OF SERVICE

Description	APPROVED BUDGET (R)	ADJUSTMENT BUDGET (R)
Entrance Fees	1 000 000	0
Fire Services Call Out to Private Companies	100 000	0
Sale of : Publication – Tender Documents	40 000	30 000
Total Operational Revenue	<u>1 140 000</u>	<u>1 140 000</u>

Sale of goods notes:

- HIV & AIDS Benefit concert was cancelled due to Corvid 19 pandemic hence entrance fees was reduced to zero (0)
- Fire services was a previous year estimate and once off incidents hence the budget has decreased to zero.
- Because the municipality is not operating fully under the lockdown circumstances the tenders that was estimated to be issued has reduced.

ADJUSTMENT BUDGET MAIN TABLES (Excel) B Schedule 6.4 version,

TABLE B1

Explanatory notes to Table B1 - Budget Summary

- Table B1 is a budget summary and provides a concise overview of the municipality’s budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts to be approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance.
- Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- The operating surplus/deficit (after Total Expenditure) is negative over the MTREF and is being funded from accumulated cash-backed surpluses from previous years.
- Capital expenditure is balanced by capital funding sources, internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.
- Total revenue is **R176.9 million** in 2020/21 and increased to **R183.0 million** by adjustment budget this is as a results of additional grants that were initially gazetted for energy efficiency and demand side management grant. This represents a shift from the approved to the adjustment budget of year-on-year increase of **3.00 %** to the total budget of fezile dabi district municipality.

			Approved Budget 2020/21	Adjustments 2020/21	Adjusted budget 2020/21
Typ	Votenummer	Description	D	L	M
R S	31101179900000000000	Transfers and Subsidies	-165 343 000	-7 200 000	-172 543 000
R S	31101259900000000000	Capital Grants	-2 206 000	-	-2 206 000
R S	31101349900000000000	Exchange Revenue	-8 000 000	-	-8 000 000
R S	31101389900000000000	Operational Revenue	-310 000	-	-310 000
R S	31101429900000000000	Sales and Rendering of Service	-1 140 000	1 110 000	-30 000
R S		Transfers from Accumulated Surplus			
R S		Total Revenue	-176 999 000	-6 090 000	-183 089 000

- **Transfers recognized:** It needs to be noted that in real terms the grants receipts from national government remained the same R 2.2 million no adjustment made.

31101220000000000000	CAPITAL : MONETARY			
31101258940FMZZZZWD	TS_C_M_NG_MIG GRANT	-		-
31101259010F4ZZZZHO	TS_C_M_NG_RURAL ROAD ASSET MNG SYS GRANT	-2 206 000		-2 206 000
31101259900000000000	SUB TOTAL : CAPITAL : MONETARY	-2 206 000	-	-2 206 000

- The **capital budget** increased from **R 160 000 to R 914 100**. Total capital budget will be spent on furniture; other equipment; and computer software no adjustments made.

	Adjustment no1	Movement	2 nd adjustment
Total Capital Expenditure	160 000	754 100	914 100

TABLE B2

- Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into several functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile government's reports.

TABLE B3

This represents a view of budgeted financial performance in relation to the revenue and expenditure per municipal vote.

OPERATING EXPENDITURE PER DEPARTMENT					
			Approved Budget 2020/21	Difference	Second Adjusted Budget 2020/21
Typ	Votenummer	Description	D	L	M
R T	30052999990000000000	Council General	12 861 000	95 000	12 956 000
R S	30102999980000000000	Executive Mayor	14 145 000	-1 353 000	12 792 000
R S	30152999980000000000	Office of the Speaker	8 068 000	343 000	8 411 000
R S	30202999980000000000	Mayoral Committie	4 016 000	-55 000	3 961 000
R S	30252999980000000000	Municipal Manager	24 766 000	144 000	24 910 000
R S	30302999980000000000	Municipal Manager - Director	2 372 480	211 220	2 583 700
R S	30352999980000000000	Finance Department	19 564 000	1 225 000	20 789 000
R S	30402999980000000000	Finance Department - Director	1 493 680	349 020	1 842 700
R S	30452999980000000000	Information Technology	3 125 000	7 735 000	10 860 000
	NEW LINE	Information Technology infrastructure			-
R S	30502999980000000000	Public Works Department	6 697 650	-998 000	5 699 650
R S	30552289920000000000	Projects Local Municipality	5 206 000	-300 000	4 906 000
R S	30602999980000000000	Corporate Support Services	23 347 000	1 463 000	24 810 000
R S	30652999980000000000	Corporate Support Services - Director	1 561 680	273 020	1 834 700
R S	30702999980000000000	Fire Services	12 615 000	-697 000	11 918 000
R S	30752999980000000000	Disaster Management	5 294 000	-932 000	4 362 000
R S	30802999980000000000	Local Economic Development	14 292 000	-1 633 000	12 659 000
R S	30852999980000000000	Local Economic Development - Director	1 511 680	333 020	1 844 700
R S	30902999980000000000	Municipal Health Services	21 083 700	-698 100	20 385 600
R S	30952999980000000000	Director	3 600 680	-1 144 980	2 455 700
R S	31052999980000000000	Environmental Management	4 540 600	-11 600	4 529 000
		Total Expenditure	190 161 150	4 348 600	194 509 750
		Total Capital Expenditure	160 000	754 100	914 100
		Grand Total	190 321 150	-	195 423 850
		LESS: Revenue	-176 999 000	-300 000	-183 089 000
		Budget Deficit	13 322 150	-987 300	12 334 850

TABLE B4

This table gives a view of movement in total revenue. Statement of financial performance is a budgeted annual financial statements.

For this table kindly refer back to the initial main tables under the heading executive summary.

TABLE B5

Table B5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget.

		Capital Expenditure			
			First Adjusted Budget	Difference	Second Adjusted Budget
Typ	Votenummer	Description	2020/21 (R)	2020/21 (R)	2020/21 (R)
R T	30052999990000000000	Council General	-	196 000	196 000
R S	30102999980000000000	Executive Mayor			
R S	30152999980000000000	Office of the Speaker			
R S	30202999980000000000	Mayoral Committie			
R S	30252999980000000000	Municipal Manager			
R S	30352999980000000000	Finance Department		108 000	108 000
R S	30452999980000000000	Information Technology	-	200 000	200 000
	New	Financial Assistant Grant		-	-
R S	30502999980000000000	Public Works Department	140 000	250 000	390 000
R S	30602999980000000000	Corporate Support Services			
R S	30702999980000000000	Fire Services			
R S	30752999980000000000	Disaster Management			
R S	30802999980000000000	Local Economic Development			
R S	30902999980000000000	Environmental Health Services	20 000	100	20 100
R S	31052999980000000000	Municipal Health Management			
		Total Capital Expenditure	160 000	754 100	914 100

TABLE B5B

This table look exactly like table 5 capital assets. For a single year.

- The capital budget increased from R 160 000 to R 914 100. Total capital budget will be spent on furniture; other equipment; and computer software no adjustments made.

	Adjustment no1	Movement	2nd adjustment
Total Capital Expenditure	160 000	754 100	914 100

TABLE B6

Budgeted statement of financial position any adjustments that were made on annual financial statements are budgeted here.

TABLE B7

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

TABLE B8 AND B10

Explanatory notes to Table B8 - Cash Backed Reserves/Accumulated Surplus Reconciliation.

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be “Funded”.

Explanatory notes to Table B10 - Basic Service Delivery Measurement

Table B10 has not been completed as the district municipality does not render any basic service

PART 2

ADJUSTMENTS TO BUDGET FUNDING

- Grants and subsidies are funded as per Division of revenue.
- Interest received on investment is based on the money the Municipality invested with Various financial institutions (banks).
- Other income has been adjusted as shown above and the adjustment is as per income received to date.
- Accumulated surplus has been adjusted as shown above and the funds are reserved as cash and will be depleted in this financial year if spending occurs as planned.

ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

No adjustments made on salaries.

ADJUSTMENTS TO CAPITAL EXPENDITURE

Capital Expenditure					
			First Adjusted Budget		Second Adjusted Budget
Typ	Votenummer	Description	2020/21 (R)	Difference	2020/21 (R)
R T	30052999990000000000	Council General	-	196 000	196 000
R S	30102999980000000000	Executive Mayor			
R S	30152999980000000000	Office of the Speaker			
R S	30202999980000000000	Mayoral Committie			
R S	30252999980000000000	Municipal Manager			
R S	30352999980000000000	Finance Department		108 000	108 000
R S	30452999980000000000	Information Technology	-	200 000	200 000
	New	Financial Assistant Grant		-	-
R S	30502999980000000000	Public Works Department	140 000	250 000	390 000
R S	30602999980000000000	Corporate Support Services			
R S	30702999980000000000	Fire Services			
R S	30752999980000000000	Disaster Management			
R S	30802999980000000000	Local Economic Development			
R S	30902999980000000000	Environmental Health Services	20 000	100	20 100
R S	31052999980000000000	Municipal Health Management			
		Total Capital Expenditure	160 000	754 100	914 100

NOTES

- R 196 000 in Council general department is for a new generator at fire station (Mafube Local Municipality).
- R 108 000 for replacement of furniture in the board rooms.
- Information technology department budgeted R200 000 for equipment and new server.
- Additional R 250 000 on Public Works is for air conditioners.

