



Fezile Dabi

District Municipality

ADJUSTMENT BUDGET

2021/22 TO 2023/24

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 28th of February 2022.
- (b) That the adjustment budget documentation for 2021/22 – 2023/24 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 2022 discussed the Mid-Year Budget and Performance assessment for 2021/22 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

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Table B4

OPERATING GRANT	APPROVED BUDGET	ADJUSTED BUDGET	BUDGET YEAR	BUDGET YEAR
REVENUE	2021/22	2021/22	2022/23	2023/24
Operating Grant and Subsidies	172 525 000	173 061 401	173 694 000	173 212 000
Capital Grants and Subsidies	2 236 000	2 236 000	2 347 000	2 349 000
Interest earned – External Investment	5 000 000	5 000 000	5 220 000	5 454 900
Operational Revenue	210 000	456 000	219 240	229 106
Sale and Rendering of Services	30 000	5 000	31 320	32 729
Transfer from Accumulated Sur	16 005 099	16 005 099	50 535 425	57 300 749
Total Revenue	<u>196 006 099</u>	<u>196 763 500</u>	<u>232 046 985</u>	<u>238 578 484</u>

Revenue Notes

- There is **R3, 2 million decrease on operating** treasury cancelled the gazzeted grant for **municipal systems improvement**.
- Included in **Operating Grants of R173million** there is Unspent Grant of **R 3, 8 million from COGTA for IT Equipment**.
- The operational revenue has increased by R246 000, because of skill levy, telephone deductions from employees, bad debt recovery.
- Sale of rendering services was reduced by R 25 000 initial estimate was based on fully operational municipality

TOTAL EXPENDITURE

Table B4

	APPROVED BUDGET 2021/22 (R)	ADJUSTED BUDGET 2021/22 (R)	BUDGET YEAR 2022/23 (R)	BUDGET YEAR 2023/24 (R)
Employee Related Cost	130 691 000	125 306 380	140 740 596	147 073 923
Remuneration of Councillors	8 688 000	8 593 000	9 070 272	9 478 434
Depreciation & Asset	2 250 000	3 433 000	3 132 000	3 272 940
Inventory Consumed /Materials	3 100 900	2 803 400	2 315 592	2 419 794
Transfers and grants	4 030 000	4 080 000	6 483 240	6 774 986
Contracted Services	22 357 000	23 240 620	37 401 377	34 800 824
Other Expenditure	24 259 199	24 180 699	31 629 755	33 053 094
Loss on Disposal of PPE				
Capital Expenditure	630 000	5 126 401	1 274 153	1 704 489
Total Expenditure				
	<u>196 006 099</u>	<u>196 763 500</u>	<u>232 046 985</u>	<u>238 578 484</u>

Expenditure Notes

- Employee salaries and allowances was reduced because vacant positions will be filled in the new financial year 2022/2023.
- Remunerations of councilors no changes made.
- Depreciation and Amortization adjustments made to accommodate fezile dabi stadium and koppies green house project.
- Contracted services increase by R 963 620 due to continuing litigations against municipality.
- Capital expenditure increased by R670 000 because of IT Equipment, replacement of Air-conditions in the offices and new furniture.
- Included in capital expenditure Unspent Grant of R 3, 8 million from COGTA for IT Equipment.

BREAKDOWN OF TOTAL INCOME

OPERATING GRANTS AND SUBSIDIES

	APPROVED BUDGET (R) 2021/22	ADJUSTMENT BUDGET 2021/22
Equitable share	11 809 000	11 809 000
Local government financial management grant	1 200 000	1 200 000
Fuel levy (RSC Levy Replacement grant)	152 226 000	152 226 000
Rural road assets management grant	2 236 000	2 236 000
Energy Efficient & demand side management grant	4 000 000	4 000 000

Municipal Systems Improvement Grant	3 290 000	0
Municipal Disaster Relief grant (Covid 19)	0	0
Financial Assistance grant (COGTA)	0	3 826 401
TOTAL OPERATING GRANTS	<u>174 761 000</u>	<u>175 297 401</u>

GRANTS NOTES

- Reduction of Municipal Systems Improvement Grant by R3 290 000.
 - Additional Unspent Grant of R 3, 8 million from COGTA for IT Equipment.

INTEREST EARNED-EXTERNAL INVESTMENTS

	APPROVED BUDGET 2021/22	ADJUSTED BUDGET 2021/22
Current and general - interest	1 500 000	1 500 000
Investment interest	3 500 000	3 500 000
TOTAL INTEREST RECEIVED	<u>5 000 000</u>	<u>5 000 000</u>

- No adjustments made

OPERATIONAL REVENUE

Description	APPROVED BUDGET (R)	ADJUSTMENT BUDGET (R)
Bad debt recovered	-	1 000
Staff recoveries	200 000	350 000
Insurance refund	10 000	10 000
Skills development levy	0	95 000
LGSETA Learnership grant for youth	0	0
Total Operational Revenue	<u>210 000</u>	<u>456 000</u>

Operational revenue notes

- Bad debt that was previously written off as irrecoverable has been able to pay the debt.
- Staff recoveries has increased by R150 000 based on the actual usage of telephones & cellphones.
- Skills levy was initially not budgeted however due to changes of national disaster there is possibility for the institution to send employees to training to accredit services providers hence budgeted R95 000 for the remaining portion of the year.

SALE OF GOODS AND RENDERING OF SERVICE

Description	APPROVED BUDGET (R)	ADJUSTMENT BUDGET (R)
Entrance Fees	0	0
Fire Services Call Out to Private Companies	0	0
Sale of : Publication – Tender Documents	30 000	5 000
Total Operational Revenue	<u>30 000</u>	<u>5 000</u>

Sale of goods notes:

- Because the municipality is not operating fully under the lockdown circumstances the tenders that was estimated to be issued has reduced to R 5 000.

ADJUSTMENT BUDGET MAIN TABLES (Excel) B Schedule 6.5 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 **R180.0 million** in 2021/22 and has increased to **R173** million by adjustment budget this is as a results of reduction grants that were initially gazetted for Municipal Systems Improvement Grant. This represents a shift from the approved to the adjustment budget of year-on-year decrease of **1.82 %** to the total budget of fezile dabi district municipality.
 - Included in total revenue **Unspent Grant of R 3, 8 million from COGTA** for IT Equipment.

REVENUE					
Typ	Votenummer	Description	Budget	Revised Amount	Adjusted Budget
R S	3110117990000000000	Operational Grants	172 525 000	-536 401	173 061 401
P	31101259010F4ZZZZHO	Capital Grant Rural Road Asset Mng Sys Grant	2 236 000		2 236 000
R S	3110134990000000000	Interest on Investment	5 000 000	-	5 000 000
R S	3110138990000000000	Operationa Revenue	210 000	246 000	456 000
R S	3110142990000000000	Sales & Rendering of Serv	30 000	-25 000	5 000
		TOTAL REVENUE	180 001 000	-315 401	180 758 401

- **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.

RH	3110122000000000000	CAPITAL : MONETARY			
P	31101258940FMZZZZWD	TS_C_M_NG_MIG GRANT	-		
P	31101259010F4ZZZZHO	TS_C_M_NG_RURAL ROAD ASSET MNG SYS GRANT	-2 236 000		-2 236 000
RS	3110125990000000000	SUB TOTAL : CAPITAL : MONETARY	-2 236 000	-	-2 236 000

- The **Capital Budget** increased from **R 630 000** to **R 5 126 401**. Total capital budget will be spent on furniture; other equipment; and new laptops.
- Included in capital expenditure **Unspent Grant of R 3, 8 million from COGTA** for IT Equipment.

CAPITAL EXPENDITURE						
Typ	Votenummer	Department	Description	Budget	Revised Amount	Adjusted Budget 2021/22
P	30056460020CFC02ZZHO	Council General	Furniture and Equipment	150 000	20 000	170 000
P	30356460020CFC02ZZHO	Finance	Furniture and Equipment	110 000		110 000
P	30456470020CFC12ZZHO	Information Technology	Replacement of IT Equipment	250 000	4 326 401	4 576 401
P	30506474020CFC14ZZHO	Project Management	Replacement of Air-Conditioners	100 000	150 000	250 000
P	30906550420CFC15ZZHO	Environmental Health	Equipment Environmental Health	20 000	-	20 000
TOTAL ASSETS - OWN FUNDING				630 000	4 496 401	5 126 401

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.

TOTAL EXPENDITURE PER DEPARTMENT						
Typ	Votenummer	Description	Budget	Revised Amount	Adjusted Budget 2021/22	Reason for +/-
R S	30052999980000000000	Council General	11 418 000	-634 000.00	10 784 000	Decrease in depreciation
R S	30102999980000000000	Executive Mayor	12 088 350	-1 810 000	10 278 350	Decrease in Salaries
R S	30152999980000000000	Office of the Speaker	8 509 000	-1 613 000	6 896 000	Decrease in Salaries
R S	30202999980000000000	Mayoral Committie	3 983 000	-	3 983 000	
R S	30252999980000000000	Municipal Manager	28 286 000	-3 850 000	24 436 000	Decrease in Salaries
R S	30302999980000000000	Municipal Manager Director	3 047 000	-92 820	2 954 180	Decrease in Salaries
R S	30352999980000000000	Finance	16 942 650	5 606 000	22 548 650	Post retirement benefits ,long services,current service
R S	30402999980000000000	Finance Director	2 449 200	-47 880	2 401 320	Decrease in Salaries
R S	30452999980000000000	Information Technology	3 340 000	505 000	3 845 000	IT Equipment need to be replaced
R S	30502999980000000000	Project Management	6 860 800	-764 000	6 096 800	Decrease in Salaries
R S	30552999980000000000	Project Management L/M	6 236 000	-	6 236 000	
R S	30602999980000000000	Corporate Services	24 674 899	2 193 620	26 868 519	Increase in salaries new appointments
R S	30652999980000000000	Corporate Services Director	2 395 000	-61 020	2 333 980	Decrease in Salaries
R S	30702999980000000000	Fire Services	12 661 000	-235 000	12 426 000	Decrease in Salaries
R S	30752999980000000000	Disaster Management	5 396 000	-1 197 000	4 199 000	Decrease in Salaries
R S	30802999980000000000	Local Economic Development	14 365 000	-543 000	13 822 000	Decrease in Salaries
R S	30852999980000000000	Local Economic Development Director	1 565 500	619 120	2 184 620	Salary adjustment under-budgeted initially
R S	30902999980000000000	Environmental Health Services	24 461 700	-1 884 000	22 577 700	Decrease in Salaries
R S	30952999980000000000	Environmental Health Services Directo	2 428 000	-71 020	2 356 980	Decrease in Salaries
R S	31052999980000000000	Management Health Unit	4 269 000	140 000	4 409 000	Salary adjustment under-budgeted initially
		TOTAL EXPENDITURE BY DEP	195 376 099	-3 739 000	191 637 099	
		TOTAL ASSETS - OWN FUNDING	630 000	4 496 401	5 126 401	IT EQUIP,AIRCON.FURNITURE
		TOTAL BUDGET	196 006 099	757 401	196 763 500	
		LESS :INCOME	-180 001 000	-757 401	-180 758 401	
		BUDGET DEFICIT	16 005 099	-	16 005 099	

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						
Typ	Votenummer	Department	Description	Budget	Revised Amount	Adjusted Budget 2021/22
P	30056460020CFC02ZZHO	Council General	Furniture and Equipment	150 000	20 000	170 000
P	30356460020CFC02ZZHO	Finance	Furniture and Equipment	110 000		110 000
P	30456470020CFC12ZZHO	Information Technology	Replacement of IT Equipment	250 000	4 326 401	4 576 401
P	30506474020CFC14ZZHO	Project Management	Replacement of Air-Conditioners	100 000	150 000	250 000
P	30906550420CFC15ZZHO	Environmental Health	Equipment Environmental Health	20 000	-	20 000
TOTAL ASSETS - OWN FUNDING				630 000	4 496 401	5 126 401

TABLE B5B

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

- **The capital budget increased from R 630 000 to R 5 126 401. Total capital budget will be spent on furniture; other equipment; IT equipment's (laptops, printers & network).**
- **Included in capital expenditure Unspent Grant of R 3, 8 million from COGTA for IT Equipment.**

CAPITAL EXPENDITURE						
Typ	Votenummer	Department	Description	Budget	Revised Amount	Adjusted Budget 2021/22
P	30056460020CFC02ZZHO	Council General	Furniture and Equipment	150 000	20 000	170 000
P	30356460020CFC02ZZHO	Finance	Furniture and Equipment	110 000		110 000
P	30456470020CFC12ZZHO	Information Technology	Replacement of IT Equipment	250 000	4 326 401	4 576 401
P	30506474020CFC14ZZHO	Project Management	Replacement of Air-Conditioners	100 000	150 000	250 000
P	30906550420CFC15ZZHO	Environmental Health	Equipment Environmental Health	20 000	-	20 000
TOTAL ASSETS - OWN FUNDING				630 000	4 496 401	5 126 401

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 AND FUNDING PLAN (ATTACHED AS SEPARATE REPORT)

- 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						
Typ	Votenummer	Department	Description	Budget	Revised Amount	Adjusted Budget 2021/22
P	30056460020CFC02ZZHO	Council General	Furniture and Equipment	150 000	20 000	170 000
P	30356460020CFC02ZZHO	Finance	Furniture and Equipment	110 000		110 000
P	30456470020CFC12ZZHO	Information Technology	Replacement of IT Equipment	250 000	4 326 401	4 576 401
P	30506474020CFC14ZZHO	Project Management	Replacement of Air-Conditioners	100 000	150 000	250 000
P	30906550420CFC15ZZHO	Environmental Health	Equipment Environmental Health	20 000	-	20 000
			TOTAL ASSETS - OWN FUNDING	630 000	4 496 401	5 126 401

NOTES

- In Council general department no adjustment made.
- R 20 000 in Finance for replacement of furniture in the board rooms and Municipal Managers Office.
- Information technology department budgeted additional R4 326 401 for equipment and new network.
- Included in capital expenditure **Unspent Grant of R 3, 8 million from COGTA for IT Equipment.**
- Additional R 150 000 on Public Works is for air conditioners.