

15982

ADJUSTMENT BUDGET 2022/23

This report is submitted simultaneously to the Financial Services Portfolio, Executive Committee and Council.

PURPOSE

To submit the Adjustment Medium Term Revenue and Expenditure Framework (MTREF) for the 2022/23 financial year, as required in terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (MFMA) and Section 23(3) of the Municipal Budget and Reporting Requirements (MBRR).

IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial and Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliant
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all related financial policies
		5.1.1.4 Compliance with all MFMA and relevant local government financial legislation
	5.2.1 Sustainable Financial management (Expenditure and Revenue)	5.2.1.1 Provide continuous Internal Communication and support on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Accurate and timeous payments of creditors
		5.2.1.6 Apply adequate financial management methodologies
	5.3.1 Supply Chain Management	5.3.1.1 Demand and acquisition management
		5.3.1.2 Accurate contracts and logistics management
		5.3.1.3 Apply adequate financial management methodologies

BACKGROUND

In terms of Section 28 of the Municipal Finance Management Act, the municipality may revise an approved annual budget through an Adjustments Budget.

The Adjustments Budget according to Section 28(2):

- a) *must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- b) *may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*

- c) *may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the Mayor of the municipality;*
- d) *may authorise the utilisation of projected savings in one vote towards spending under another vote;*
- e) *may authorise 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;*
- f) *may correct any errors in the annual budget; and*
- g) *may provide for any other expenditure within a prescribed framework.”*

The Adjustments Budget must be accompanied by the following in accordance with Section 28(5):

- “a) an explanation how the adjustments budget affects the annual budget;*
- b) a motivation of any material changes to the annual budget;*
- c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
- d) any other supporting documentation that may be prescribed.”*

The Adjustments Budget according to Section 28 (3 and 6):

- “(3) An Adjustment Budget must be in a prescribed format*
- (6) Municipal taxes and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan - section 28(6).”*

As mentioned above, the MFMA Section 28 (3) refers to a prescribed format according to which the adjustment budget is required to be prepared. The National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette No 32141, dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare their Budgets as well as the in-year reporting effective from July 2010.

Section 23 (1) of the Municipal Budget and Reporting regulations state that an adjustment budget may be tabled in Council at any time after the Mid-Year Review has been tabled in Council but **not later than 28 February** of the current year.

DISCUSSION

Council resolved in terms of Resolution 15042 dated 25 January 2022 that:

- “3. as a result of the Mid-Year Budget Report, a report dealing with the Adjustments Budget, in terms of Section 28 of the Municipal Finance Management Act be submitted to Council;”**

This report and the supporting schedules will be forwarded to the National and Provincial Treasury as required in terms of the Municipal Budget and Reporting Regulations in an electronic format.

TABLE OF CONTENTS

PART 1 - ADJUSTMENTS BUDGET	
1.	Mayor's Report
2.	Resolutions
3.	Executive Summary
4.	Executive Summary
5.	Prepaid Water
6.	Airport Tariffs
PART 2 - SUPPORTING DOCUMENTATION	
7.	Adjustments to expenditure on allocations and grant programmes
8.	Adjustments to allocations and grants made by the municipality
9.	Adjustments to Councillor Allowances and Employee Benefits
10.	Adjustments to Service Delivery and Budget Implementation Plan
11.	Adjustments to Capital expenditure
12.	Municipal Manager's quality certification

PART 1 - ADJUSTMENTS BUDGET

1. MAYOR'S REPORT

The Mayor's report will be presented at the Executive Committee meeting.

2. RESOLUTIONS

Refer to recommendations of this report.

3. EXECUTIVE SUMMARY

3.1 The following table represents an Executive Summary for the 2022/23 Adjustments Budget:

DESCRIPTION	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTMENT BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Revenue (excluding capital grants)	3 998 304 000	4 003 702 700	5 398 700
Expenditure	4 071 959 500	4 159 611 500	87 652 000
Surplus/(Deficit)	(73 655 500)	(155 908 800)	(82 253 300)

The deficit has increased from R73,7 million to R155,9 million. This is an unprecedented position where Council has to approve a further deficit from the original budget deficit. This is an indication that things are not normal. A dip in economic growth of a country and the City of uMhlathuze in particular is one of the contributing factor. Household and business income has dropped which result in decrease of City's revenue.

Rates and general has decreased by R150 000 due to supplementary valuation whereas service charges have decreased by R18,6 million in total (refer to table 3.2. below). It is not normal to have such a big adjustment in revenue in relation to an increasing expenditure.

This should be considered as an indicator of the reality we live in and start taking responsibility in curbing expenditure that is not contributing to service delivery. Some projects or expenditure maybe seem insignificant and small however when combined with others they are quit significant.

It is with this feeling that Financial Services urges all departments to re-prioritise their spending to service delivery projects other than wasteful expenditure.

3.2. The table below depicts further decreases and increases in revenue and expenditure:

Increases/Decreases In Revenue and Expenditure		
	Revenue	Expenditure
	R	R
Adopted Budget 2022/23 (Excluding Capital Grants)	3 998 304 000	4 541 931 600
Property Rates	(149 900)	
Service Charges – Electricity revenue	8 950 200	
Service Charges – Water revenue	(20 252 600)	
Service Charges – Refuse revenue	(7 301 900)	
Rental of Facilities and equipment	499 400	
Interest earned – outstanding debtors	(100 000)	
Transfers Recognised - Operational	20 883 100	
Fines	10 000	
Other Net Effect of Increases and (Decreases) In Revenue	2 860 400	
Employee Related Costs:		(21 959 900)
Depreciation and asset impairment		13 984 200
Finance Charges		15 357 300
Bulk Purchases - Electricity		(21 962 300)
Other Materials - Maintenance		14 239 000
Other Materials - Non Maintenance		1 452 300
Other Materials - Fuel and Oil		52 000
Contracted Services - Air Traffic and Navigation		(350 000)
Contracted Services - Security		2 294 200
Contracted Services - Security - Airport		3 400 000
Contracted Services - Internal Auditors		1 439 000
Contracted Services - Cleaning Services		(27 900)
Contracted Services - Legal Cost - Collection		(100)
Contracted Services - Legal Cost - Litigation		183 600
Contracted Services - Project Management - SAP		80 068 800
Contracted Services - Project Management - Airport		(750 000)
Contracted Services - Project Management - Other		(2 190 000)
Contracted Services - Research and Advisory		(470 000)
Contracted Services - Valuers and Assessors		300 000

Increases/Decreases In Revenue and Expenditure		
	Revenue	Expenditure
	R	R
Contracted Services - Infrastructure and Planning - Town Planning		680 000
Contracted Services - Maintenance of Buildings and Facilities		1 080 000
Contracted Services - Maintenance of Equipment		(157 500)
Contracted Services - Maintenance of Unspecified Assets		(5 264 300)
Contracted Services - Catering Services		2 644 700
Contracted Services - Consultants and Professional Services - Laboratory Services		(855 000)
Contracted Services - Outsourced Service -Research and Advisory		(100 000)
Contracted Services - Outsourced Service - Business Advisory - Human Resources		412 600
Contracted Services - Outsourced Service - Connections/Disconnections - Water		(6 000 000)
Contracted Services - Outsourced Service - Meter Management		(250 200)
Contracted Services - Outsourced Service - Sewerage Services		(3 727 000)
Contracted Services - Outsourced Service - Traffic Fines Management		(294 000)
Contracted Services Other		(3 568 220)
Transfer and Grants		(4 688 900)
Other Expenditure - Hire Charges		11 674 600
Other Expenditure - Specialised Computer Service (SAP Licensing Fee)		4 232 800
Other Expenditure - Insurance		500 000
Other Expenditure - Municipal Services - Billing		1 790 800
Other Expenditure - Municipal Services - Eskom		5 900
Other Expenditure - Municipal Services - Dumping Fees		(164 000)
Other Net Effect of Increases and (Decreases)		4 639 520
Proposed Draft 2022/2023 Adjustment Budget	4 003 702 700	4 629 583 600

3.3. Surplus and Deficit by Service Category

	ADOPTED BUDGET 2022/2023			PROPOSED ADJUSTMENT BUDGET 2022/2023		
	REVENUE	EXPENDITURE	SURPLUS/(DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/(DEFICIT)
Rates and General	R	R	R	R	R	R
Community and Social Services	19 232 500	149 129 800	(129 897 300)	19 547 900	150 201 500	(130 653 600)
Environmental Protection	115 800	8 950 800	(8 835 000)	115 800	8 696 300	(8 580 500)
Executive and Council	1 603 600	36 415 100	(34 811 500)	1 623 600	39 142 500	(37 518 900)
Finance and Administration	771 680 100	92 896 000	678 784 100	773 411 100	150 986 700	622 424 400
Health	31 400	2 896 800	(2 865 400)	31 400	4 492 700	(4 461 300)
Housing	5 366 800	31 778 300	(26 411 500)	5 583 900	29 236 700	(23 652 800)
Internal Audit	-	66 600	(66 600)	-	134 600	(134 600)
Other -Licensing and Regulation/Tourism	82 900	4 893 100	(4 810 200)	82 900	5 242 000	(5 159 100)
Planning and Development	17 070 300	92 218 900	(75 148 600)	16 675 600	90 013 100	(73 337 500)
Public Safety	55 494 400	210 078 700	(154 584 300)	55 499 400	211 093 000	(155 593 600)
Road Transport	13 664 200	266 691 800	(253 027 600)	34 830 200	288 864 800	(254 034 600)
Sport and Recreation	5 836 800	207 962 300	(202 125 500)	6 316 800	207 648 900	(201 332 100)
Information Technology	984 500	11 656 600	(10 672 100)	984 500	32 657 700	(31 673 200)
Total Rates and General (Excluding Capital Grants)	891 163 300	1 115 634 800	(224 471 500)	914 703 100	1 218 410 500	(303 707 400)
Airport	1 509 800	15 131 700	(13 621 900)	1 534 800	21 749 200	(20 214 400)
Trading Services						
Electricity	1 871 987 600	1 771 313 300	100 674 300	1 881 061 000	1 754 496 900	126 564 100
Electricity - Fleet	3 261 700	4 893 600	(1 631 900)	3 261 700	13 550 700	(10 289 000)
Refuse Removal	210 755 000	209 299 100	1 455 900	203 568 100	207 330 100	(3 762 000)
Sewerage	322 789 500	339 562 100	(16 772 600)	322 789 500	325 826 200	(3 036 700)
Water	1 166 809 200	1 086 097 000	80 712 200	1 146 756 600	1 088 220 000	58 536 600
Total Trading Services (Excluding Capital Grants)	3 575 603 000	3 411 165 100	164 437 900	3 557 436 900	3 389 423 900	168 013 000
Total Service Category (Excluding Capital Grants)	4 468 276 100	4 541 931 600	(73 655 500)	4 473 674 800	4 629 583 600	(155 908 800)

3.4. The 2022/23 Proposed Adjustment Operational Budget:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTMENT BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Employee related costs	1 164 608 100	1 142 648 200	(21 959 900)
Remuneration of Councillors	37 291 100	37 291 100	-
Debt Impairment	172 510 200	172 510 200	-
Depreciation and asset impairment	326 552 300	340 536 500	13 984 200
Finance Charges	72 864 600	88 221 900	15 357 300
Bulk Purchases - Electricity	1 258 204 000	1 236 241 700	(21 962 300)
Bulk Purchases - Water	401 327 100	401 327 100	-
Other Materials	156 165 000	171 908 300	15 743 300
Contracted Services	395 567 400	464 066 000	68 498 600
Transfers and grants	14 216 900	9 528 000	(4 688 900)
Other Expenditure	327 827 100	350 506 800	22 679 700
Losses - Water Inventory (Note 1)	214 797 800	214 797 800	-
Inventory consumed - Capitalisation (Note 2)	(469 972 100)	(469 972 100)	-
TOTAL OPERATING EXPENDITURE	4 071 959 500	4 159 611 500	87 652 000

Explanations for increases/ decreases in expenditure has been provided:

As per 2023/24 budget policy contained on **DMS 1542203**, the 2022/23 adjusted budget is based on the virements that has been done by departments to date. **There are no additional funds to be provided during the adjusted budget.** This means that departments will be moving funds within their function ensuring prioritisation of service delivery projects.

There were few exceptions where additional funds were required in order for the City to be able to meet its service delivery targets. Although this additional expenditure has been budgeted for, it should be noted that most of the funds has been sacrificed from other projects or expenditure items.

A total of **R74,2 million** has been moved from other expenditure items to fund this additional expenditure. Notable expenditure items that was moved were:

- Employee Related Costs - R23,4 million;
- Bulk Purchases – Electricity – R22 million;
- Contracted Services - Project Management – R2,9 million;
- Contacted services – Connection/Disconnection – Water – R6 million;

- Contracted Services – Sewerage Services – R3,7 million;
- Contracted Services – Other – R3,6 million;
- Transfers and Grants – R4,7 million.

Additional budget for projects/expenditure that was added:

- **Project Management – SAP** – an additional amount of **R80 million** has been provided for SAP operating project. A separate report needs to be tabled by Corporate Services justifying the Administration inability to curtail these costs. From the CFO's perspective the number of consultants deployed on a full time basis is not necessary and should be reduced. This curtailment needs to be done by the collective under the leadership of Corporate Services.
- **Depreciation and Assets Impairment** – an additional amount of **R14 million** to fund depreciation for both existing assets and assets that are to be acquired during the financial year.
- **Finance Charges** – an additional amount of R14 million to fund interest of existing loans and an additional R600 million to be taken during the course of the financial year. Refer to additional comments under section 3.6. – Capital Budget.
- **Other Materials – Maintenance** – an additional amount of R14,2 million will be added to materials. This is due to repairs and maintenance of municipal infrastructure such as water and electricity infrastructure.
- **Contracted Services – Security and Airport Security** – an additional amount of R5,7 million has been provided.
- **Contracted Services – Internal Auditors** – an additional amount of R1,4 million has been added for internal audit work done for IT Services SAP.
- **Contracted Services - Maintenance of Buildings and Facilities** – an additional amount of R1,1 million for maintenance of municipal buildings.
- **Other Expenditure - Hire Charges** – an additional amount of R11,7 million has been provided for hire of plant and equipment to assist in service delivery.

3.5. The source of funding the above is made up of the following revenue categories:

REVENUE BY SOURCE	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTMENT BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Rates	681 140 100	680 990 200	(149 900)
Service Charges – Electricity revenue	1 857 292 200	1 866 242 400	8 950 200
Service Charges – Water revenue	511 400 700	491 148 100	(20 252 600)
Service Charges – Sanitation revenue	114 066 300	114 066 300	-
Service Charges – Refuse revenue	114 115 200	106 813 300	(7 301 900)
Rental of facilities and equipment	6 477 100	6 976 500	499 400
Interest earned – external investments	66 700 000	66 700 000	-
Interest earned – outstanding debtors	128 000	28 000	(100 000)
Fines, penalties and forfeits	57 681 000	57 691 000	10 000
Licences and permits	3 525 900	3 525 900	-
Agency services	6 179 400	6 179 400	-
Operating Transfers and Subsidies	504 462 000	525 345 100	20 883 100
Other Revenue	37 224 800	40 085 200	2 860 400
Gains - Employee related costs	37 911 300	37 911 300	-
Capital Grants and Subsidies	205 058 000	223 858 000	18 800 000
TOTAL REVENUE	4 203 362 000	4 227 560 700	24 198 700
Less: Capital Revenue			
Capital Grants and Subsidies	(205 058 000)	(223 858 000)	(18 800 000)
TOTAL OPERATING REVENUE	3 998 304 000	4 003 702 700	5 398 700

Below are explanations for major increase/ decreases in revenue:

- Service Charges – Electricity: Increase of **R8,9 million** mainly due to slight increase in consumptions.
- Service Charges – Water: Decrease of **R20,2 million** due reduced water consumptions.

3.6. Adjusted Capital 2022/23

The table below indicates the 2022/23 Proposed Adjustment Capital Budget by Function:

FUNCTION	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Finance and Administration	51 927 000	113 382 900	61 455 900
Community and Social Services	47 503 000	41 932 700	(5 570 300)
Energy Sources	51 602 000	56 265 400	4 663 400
Executive and Council	141 000	106 000	(35 000)
Environmental Protection	2 500 000	4 750 000	2 250 000
Air Transport - Air port	11 500 000	14 800 000	3 300 000
Planning and Development	48 603 000	50 420 500	1 817 500
Public Safety	2 337 000	2 399 900	62 900
Road Transport	132 137 000	112 433 200	(19 703 800)
Sport and Recreation	41 805 000	220 066 100	178 261 100
Waste Management	11 802 000	10 872 800	(929 200)
Waste Water Management	121 800 000	103 409 897	(18 390 103)
Water	311 419 000	350 769 303	39 350 303
	835 076 000	1 081 608 700	246 532 700

Significant Changes:

Subsequent to the approval of the 2022/23 Capital Budget, further funding of R208,4 million needed to be sourced. The critical projects are the following:

- uMhlathuze Stadium Refurbishment – R180,4 million;
- SAP additional Users Access Fee – R22 million; and
- Replacement of Mayoral Fleet – R6 million

In terms of Council resolution number 15974 dated 7 December 2022 (RPT 174720), Council resolved that:

“that the amount of R39 466 000 grant funding received through the Municipal Recovery Grant for the implementation of the projects as per the business plan approved by KwaZulu-Natal Cooperative Governance and Traditional Affairs be approved;”

This amount has been allocated as follows:

- Capital Expenditure = R 18,3 million and
- Operating Expenditure = R 21,2 million

The following are capital projects that have been approved:

REHABILITATION OF ALUMINA ALLEY AND BULLION BOULEVARD	6 800 000
PEDESTRIAN BRIDGES - WARD 9 NSELENI	6 000 000
PEDESTRIAN BRIDGES - DUMISANI MAKHAYE VILLAGE	5 500 000

The table below indicates the sources of funding for the 2022/23 Proposed Adjustment Capital Budget:

SOURCE OF FUNDING	ADOPTED BUDGET 2022/2023	PROPOSED ADJUSTED BUDGET 2022/2023	INCREASE/ (DECREASE)
	R	R	R
Borrowing	390 000 000	598 387 100	208 387 100
Capital Replacement Reserve	240 018 000	259 363 600	19 345 600
Integrated Urban Development Grant	139 814 000	139 814 000	-
Government Grants - National	54 300 000	72 600 000	18 300 000
Government Grants - Provincial	10 944 000	11 444 000	500 000
TOTAL	835 076 000	1 081 608 700	246 532 700

4. PREPAID WATER

Council resolved via resolution 15426 dated 25 May 2022, inter alia that:

“prepayment water meters be installed to non-indigent customers with effect from July 2022 and the installation of prepayment water meters to all customers in the Traditional areas be done following discussions / agreement as detailed in Point 3”

Currently there are 1 183 indigent households supplied with water via prepayment water meters.

As at the end of December 2022, there are also a further 205 non-indigent customers that are supplied with water via prepayment meters. A project is underway to install prepayment water meters to a further 2 500 non-indigent households during the 2022/23 financial year and 3 000 for the 2023/24 financial year.

5. AIRPORT TARIFFS

City of uMhlathuze has appointed Airport Company of South Africa to manage the Richards Bay Airport on behalf of Council for a period of 5 years. The company has calculated tariffs that can be used to bill all the airport consumers. These tariffs are available on **DMS 1576847 included as Annexure BA** and must be adopted by Council with the adjustment budget.

In addition to the above, Council is also in the process of finalising lease agreements with tenants currently occupying the rental spaces at the airport. Individual meters will be installed for each tenant in order to ensure accurate billing for water and electricity services.

6. **ADJUSTMENTS BUDGET STATEMENT TABLES**

The following monthly budget statement tables (**DMS 1576964**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEXURE
Table B1	Adjustments Budget Summary	A
Table B2	Adjustments Budget Financial Performance (Standard Classification)	B
Table B2B	Adjustments Budget Financial Performance (Detail) (Standard Classification)	C
Table B3	Adjustments Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table B3B	Adjustments Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
Table B4	Adjustments Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table B5	Adjustments Capital Expenditure Budget by vote and funding	G
Table B5B	Adjustments Capital Expenditure Budget by vote and funding B	H
Table B6	Adjustments Budget Financial Position	I
Table B7	Adjustments Budget Cash Flows	J
Table B8	Cash Backed Reserves/Accumulated Surplus	K
Table B9	Asset Management	L
Table B10	Basic service delivery measurement	M
Table SB1	Supporting detail to Budgeted Financial performance	N
Table SB2	Supporting detail to Financial Position Budget	O
Table SB3	Adjustments to the SDBIP Performance Objective	P
Table SB4	Adjustments to budgeted performance indicators and benchmarks	Q
Table SB5	Social, Economic and Demographic statistics and assumptions	R
Table SB6	Funding Measurement	S
Table SB7	Transfers and Grants receipts	T
Table SB8	Expenditure on transfers and grant programmes	U
Table SB9	Reconciliation of transfers, grants and unspent funds	V
Table SB10	Transfers and grants made by the Municipality	W
Table SB11	Councillor and Staff Benefits	X
Table SB12	Monthly revenue and expenditure (Municipal Vote)	Y
Table SB13	Monthly revenue and expenditure (Standard Classification)	Z
Table SB14	Monthly revenue and expenditure (Revenue by source and expenditure by type)	AA
Table SB15	Monthly cash flow	AB
Table SB16	Monthly capital expenditure (Municipal vote)	AC
Table SB17	Monthly capital expenditure (Standard classification)	AD
Table SB18a	Capital expenditure on new assets by asset class	AE
Table SB18b	Capital expenditure on renewal of existing assets by asset class	AF
Table SB18c	Expenditure on repairs and maintenance by asset class	AG
Table SB18d	Depreciation by asset class	AH
Table SB18e	Capital expenditure on upgrading of existing assets by asset class	AI
Table SB19	List of capital programmes and projects affected by adjustments budget	AJ

PART 2 - SUPPORTING DOCUMENTATION

7. ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Refer to **Annexure T - V** (Table SB 7 - SB 9).

8. ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Refer to **Annexure W** (Table SB 10).

9. ADJUSTMENTS TO COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS

Refer to **Annexure X** (Table SB 11).

10. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP (**DMS 1576708**) has been broken down into five components. These are:

- Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AL**).
- Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AM**).
- Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexures AN – AV**):
- Component 4: Ward information for expenditure and service delivery (**Annexures AW – AX**).
- Component 5: Detailed capital works plan broken down into wards over three years (**Annexure AY**).

11. ADJUSTMENTS TO CAPITAL EXPENDITURE

The detail of the revised Adjustments 2022/23 Capital Budget (**DMS 1576708 - Annexure AK**).

12. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **Annexure AZ** (**DMS 1577121**).

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This is dealt with in detail throughout the report.

LEGAL IMPLICATIONS

This is dealt with throughout the report with references to various Acts and Regulations.

COMMENTS OF THE CHIEF FINANCIAL OFFICER

Refer to the Executive Summary contained in this report for comments.

RECOMMENDED THAT:

1. the 2022/23 Adjustment Medium Term Revenue and Expenditure Framework (MTREF) be approved as set out in **Budget Tables B1 – B10 (DMS 1576964)**;
2. the report on the 2022/23 Adjustment Budget be submitted to both the National Treasury and Provincial Treasury;
3. it be noted that any adjustments made to the 2022/23 Operating Budget do not result in any changes to the municipal taxes and tariffs, except for resolution number 9 below that relates to new Airport Tariffs;
4. any savings arising post the Adjustment Budget approval be utilised only to contribute to the Capital Replacement Reserve for future years' capital projects;
5. the revised capital projects as per Component 5 of the 2022/23 SDBIP (**DMS 1576708 – Annexure AY**) be approved;
6. departments to re-prioritise their operational activities to identify savings to fund the deficit;
7. residential prepaid water customers must not be charged the water basic charge;
8. previous months where the water basic charge for prepaid water were not billed be condoned;
9. Department Corporate Services ICT Section to submit a report to Council justifying the Administration inability to curtail these costs, prior to any further expenditure to be incurred;
10. Airport tariffs for 2022/23 be approved to allow Council to start recovering some of the costs of operating the airport (**DMS 1576847 – Annexure BA**); and
11. only in situations of absolute service delivery emergency, will requisitions for Goods and Services be entertained by the Supply Chain Management unit after 31 May 2023 for the 2022/23 financial year.