

EXTRACT COUNCIL MINUTES: 27 FEBRUARY 2024

Item number A34. 27.02.2024

FEBRUARY 2024 - ADJUSTMENTS BUDGET 2023/2024

RESOLVED

Item A34/27/02/2024

1. that the Adjustments Budget of Swellendam Municipality be adjusted in terms of section 28(2) for the 2023/2024 financial year as set out in the schedules contained in annexure A circulated with the agenda, be approved as contained in the following prescribed budget tables;
 - 1.1 Table B1: Adjustments Budget Summary;
 - 1.2 Table B2: Adjustments Budget Financial Performance (expenditure by standard classification);
 - 1.3 Table B3: Adjustments Budget Financial Performance (expenditure by municipal vote);
 - 1.4 Table B4: Adjustments Budget Financial Performance (revenue by source);
 - 1.5 Table B5: Adjustment Budget Capital Expenditure;
 - 1.6 Table B6 – B10: Adjustment Budget Financial Position, Cash Flow, Asset Management and service delivery targets;
2. that the SDBIP and performance agreements as per Annexure B be approved by Council, in terms of section 54(1)(c) of the Municipal Finance Management Act 2003.
3. that the Adjustments Budget be made public and be placed on the municipal website.

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FEBRUARY 2024 - ADJUSTMENTS BUDGET 2023/2024

Report of the Director: Financial Services: Ms E Wassermann

Department Financial Services

Section Financial Services

File number 5/1/1

Annexures

Annexure A – February 2024 - Adjustment budget schedules for 2023/2024 is attached **on page 304 to 348 of the Annexures**. The SDBIP and Performance Agreements is attached **on page 349 to 533 of the Annexures**.

PURPOSE OF REPORT

The purpose of the report is to present the February Adjustments Budget for the 2023/2024 financial year following the midyear assessment as of 31 December 2023, together with the subsequent amendments to the Service Delivery Budget Implementation Plan (SDBIP).

FACTS AND BACKGROUND

Council resolved per item A15 on 30 January 2024:

“RESOLVED:

1. *that the Midyear Budget and Performance Assessment Report for 2023/24 be noted; and*
2. *that it be noted that an Amended Budget and a report on Revised Expenditure and Revenue will be tabled at the Council meeting scheduled for February 2024 together with the revised Service Delivery and Budget Implementation Plan (SDBIP).*
3. *that the Midyear Budget and Performance Assessment Report for 2023/24 be placed on the municipal website and submitted to the relevant authorities”*

DISCUSSIONS

Capital Budget

The capital budget increased from R64,3 million (Nov 23 adjustment Budget) to R74,9 million. The main capital adjustments proposed are:

Function	Project Name	Funding Source	Amended Budget 2023/2024	Adjustments	Feb Mid-year Adjustments Budget 2023/2024	Comments
Information Technology	ICT network	Transfer from Operational Revenue	100 000	150 000	250 000	Additional Funds are needed to re-establish the ICT network between the various remote offices.
Property Services	Conversion of old Library into offices	Transfer from Operational Revenue	920 000	(920 000)	-	The project estimated cost on the bill of quantity amounts to +-R4.7m. Insufficient funds on the budget to complete the project. Project halted.
Property Services	Conversion of old Library into offices	Transfer from Operational Revenue	1 500 000	(1 500 000)	-	The project estimated cost on the bill of quantity amounts to +-R4.7m. Insufficient funds on the budget to complete the project. Project halted.
Property Services	Replace Airconditioners at various buildings 2023-2026	Transfer from Operational Revenue	50 000	160 000	210 000	Installation of air conditioning at various new remote offices to improve working conditions.
Housing	Emergency Housing alternative	Transfer from Operational Revenue	50 000	(2 000)	48 000	Project Completed, saving on budget
Community Halls and Facilities	Replace alarm system	Transfer from Operational Revenue	60 000	(60 000)	-	An alarm system was for Thusong, but no longer needed due riots to building. Will be implemented with the rebuild of Thusong.

Function	Project Name	Funding Source	Amended Budget 2023/2024	Adjustments	Feb Mid-year Adjustments Budget 2023/2024	Comments
Community Parks (including Nurseries)	Toilet and garage (Buffeljags)	Transfer from Operational Revenue	50 000	(50 000)	-	Project cost exceeds budget. The project can not continue. Will be re-budgeted.
Community Parks (including Nurseries)	Grass cutting equipment (Brush cutters)	Transfer from Operational Revenue	50 000	(1 500)	48 500	Project completed, saving.
Community Parks (including Nurseries)	Parks - Machinery and Equipment	Transfer from Operational Revenue	10 000	18 000	28 000	Additional equipment is needed for cutting and cleaning. (Chainsaws & Chan sharpeners)
Community Parks (including Nurseries)	Roller Mower 1.5M 2023-2026	Transfer from Operational Revenue	70 000	(12 000)	58 000	Project Completed. Savings
Solid Waste Removal	Skip for hazardous materials Bontebok, Infanta	Transfer from Operational Revenue	30 000	7 000	37 000	Additional funds are needed to complete the project.
Solid Waste Disposal (Landfill Sites)	Mini drop off sites for Railton	Transfer from Operational Revenue	100 000	(100 000)	-	Project scope to be revisited.
Municipal Manager, Town Secretary and Chief Executive	Cell phones x 5	Transfer from Operational Revenue	8 000	700	8 700	Additional funds are needed to replace broken cell phones.
Disaster Management	Fire skids	Transfer from Operational Revenue	35 000	(10 000)	25 000	Project Completed, saving.
Community Halls and Facilities	Community halls furniture and	Transfer from Operational Revenue	40 000	(34 000)	6 000	Project Completed, saving.

Function	Project Name	Funding Source	Amended Budget 2023/2024	Adjustments	Feb Mid-year Adjustments Budget 2023/2024	Comments
	equipment 2023-2026					
Police Forces, Traffic and Street Parking Control	Traffic mascot for road safety	Transfer from Operational Revenue	15 000	(15 000)		Cost increased budget provision, the project to be re-considered.
Police Forces, Traffic and Street Parking Control	Tables for Barrydale learners classes 2023/24	Transfer from Operational Revenue	16 000	(3 500)	12 500	Project Completed, saving.
Police Forces, Traffic and Street Parking Control	New vehicle testing system	Transfer from Operational Revenue	300 000	15 000	315 000	The tender amount is more than the budgeted, Funds needed to complete the project.
Police Forces, Traffic and Street Parking Control	Traffic: Machinery and Equipment 2023_2024	Transfer from Operational Revenue	10 000	3 500	13 500	Additional Machinery and Equipment are needed for operations.
Police Forces, Traffic and Street Parking Control	2 x 4 seater Sedans (2023/2024)	Borrowing	35 000	(15 000)	20 000	Project rollover from the previous financial year. Project complete, savings
Water Treatment	Diesel Trailor 500l x1	Transfer from Operational Revenue	60 000	5 000	65 000	Quotations more than budget provision. Funds needed to complete the project.
Water Distribution	Swellendam (Railton): Bulk Water Reticulation and Distribution	Borrowing	1 599 000	2 300 000	3 899 000	An amount of R2 300 000 was originally budgeted for in 2023/2024 whilst an amount of R1 599 000 was unspent for the 2022/2023 financial year. With the Aug 2023 roll-over

Function	Project Name	Funding Source	Amended Budget 2023/2024	Adjustments	Feb Mid-year Adjustments Budget 2023/2024	Comments
						budget, the funds on this project were incorrectly rolled over to R1 599 000 instead of being added to the original budget amount of R2 300 000. The full rollover funds are required to complete the project.
Waste Water Treatment	Barrydale Pump Station Fencing 2023/2024	Transfer from Operational Revenue	92 000	136 000	136 000	Additional funds in the amount of R44,000 are required to complete the project. The project function is also corrected from water to wastewater pump station.
Water Distribution	Upgrade of Irrigation pump station Suurbrak	Transfer from Operational Revenue	250 000	50 000	300 000	The tender exceeds the budget provision, Additional funds are required to complete the project.
Water Treatment	Installation of chlorination system WTW	Borrowing		700 000	700 000	The original budget from CRR for this project was R1 400 000. Additional funds are required to implement the project based on the tenders received. Based on the tender insufficient funds are available to install both chlorination systems at the water and wastewater works. The waterworks were prioritised. The shortfall is allocated from the wastewater chlorination system. For 2023/2024 only the dosing system at the wastewater works will then be upgraded.

Function	Project Name	Funding Source	Amended Budget 2023/2024	Adjustments	Feb Mid-year Adjustments Budget 2023/2024	Comments
Water Treatment	Upgrade of Telemetry (Swellendam) Conversion from analogue to digital	Transfer from Operational Revenue	322 500	183 000	505 500	Additional funds are required to upgrade the telemetry system as the current system software cannot be upgraded anymore.
Street Lighting and Signal Systems	Replace 70 LED Streetlights: Barrydale	Transfer from Operational Revenue	180 000	(28 130)	151 870	Project completed, savings.
Sewerage	Barrydale - Manhole - wilge street	Transfer from Operational Revenue	30 000	(30 000.00)	-	Project scope change, Project to be reconsidered in 2024/2025 financial year.
Waste Water Treatment	Silo pump station manifold upgrade	Transfer from Operational Revenue	85 000	(85 000.00)		Manifold upgrade will be done with the upgrade to the Silo Pump Station. Included in the project scope for Silo Pump Station.
Waste Water Treatment	Installation of chlorination system WWTW 2023/24	Borrowing	1 298 050	(1 000 000)	298 050	The original budget from CRR for this project was R1 400 000. Additional funds are required to implement the project based on the tenders received. Based on the tender insufficient funds are available to install both chlorination systems at the water and wastewater works. The waterworks were prioritised. The shortfall is allocated from the wastewater chlorination system. For 2023/2024 only the dosing system at

Function	Project Name	Funding Source	Amended Budget 2023/2024	Adjustments	Feb Mid-year Adjustments Budget 2023/2024	Comments
						the wastewater works will then be upgraded.
Sewerage	Railton sanitation upgrade, street front sewers 2023-2026	Transfer from Operational Revenue	150 000	(150 000)		Sufficient funds on grant to complete the project.
Sewerage	Railton sanitation upgrade, street front sewers	JDMA		500 000	500 000	Confirmation from Province for the 2022/2023 roll over received on 28 Nov 2023.
Roads	Hermitage Gravel road Upgrade	Municipal Disaster Recovery Grant	1 752 620	(228 270)	1 524 350	Correction of vat recognition.
Water Storage	Access ladder and grids- Suurbraak	Transfer from Operational Revenue	47 500	(47 500)		Project scope change, to be re-budgeted.
Fleet Management	Fleet - Machinery and equipment	Transfer from Operational Revenue	10 000	10 000	20 000	Additional machinery and equipment are required for fleet maintenance.
Electricity	Machinery and Equipment - ELECTRICITY	Transfer from Operational Revenue	52 007	17 200	69 207	Additional funds are required for machinery and equipment for electricity.
Electricity	Electriccaiton of housing project 950 erven	Provincial Acceleration Housing Delivery	2 173 913	3 565 217	5 739 130	Additional funds were received in the provincial gazette for the electrification of the houses.
Electricity	Railton High mast light	Municipal service deliver and capacity		676 522	676 522	Additional funds were received in the provincial gazette for the electrification of the houses.

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		building grant Provincial Grant				
Housing	Purchase of Transnet land	Human Settlement Development		4 446 000	4 446 000	Transnet land funds relocated back to the municipality in the provincial gazette.
Finance	New Furniture (Insurance Claim)	Transfer from Operational Revenue		100 000	100 000	Capital replacements due to assets lost during the riots. (Insurance)
Finance	New Computer Equipment (Insurance Claim)	Transfer from Operational Revenue		600 000	600 000	Capital replacements due to assets lost during the riots. (Insurance)
Finance	Replace ICT Network and equipment (Insurance)	Transfer from Operational Revenue		400 000	400 000	Capital replacements due to assets lost during the riots. (Insurance)
Finance	Replace stolen Airconditioning Traffic Department (11)	Transfer from Operational Revenue		230 000	230 000	Air-conditioners vandalized and stolen at Traffic department. (Insurance claim to replace air conditioning.
Libraries	Paving at Desmond Tutu Library (Back entrance)	Municipal Library Replacement Fund		210 000	210 000	Capital project to be done from Municipal Library fund provided for under operational budget. Move to capital budget.
Libraries	Gate Motor back entrance	Municipal Library Replacement Fund		35 000	35 000	Capital project to be done from Municipal Library fund provided for under operational budget. Move to capital budget.

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Libraries	Airconditioning Libraries	Municipal Library Replacement Fund		126 740	126 740	Capital project to be done from Municipal Library fund provided for under operational budget. Move to capital budget.
Town Planning, Building Regulations and Enforcement, and City Engineer	Railton Walkway Project	Transfer from Operational Revenue	-	135 000	135 000	The tender amount exceeds the available funds received from the province for the Railton Walkway. The relevant department was contacted, but they indicated they can only consider additional funds in the 2024/2025 financial year. The project scope was already reduced. To implement the project, it is requested that the shortfall be funded from own funds.
Electricity	Railton High mast light	Transfer from Operational Revenue	-	200 000	200 000	Counterfunding is required to implement the new allocation for a high mast in the Railton informal settlement.

The capital budget is fully funded considering all the adjustments. The proposed funding sources for the capital adjustment budget are indicated in the table below:

Funding Source	Adjustment Budget	Proposed Amendments	Febr 2024 Adjustment Budget
Agricultural in kind	R4 781 030	R0	R4 781 030
Borrowing	R3 732 050	R1 985 000	R5 717 050
Capital from own funds	R20 371 000	(720 230)	R19 650 770
Emergency Municipal load-shedding relief grant	R764 358	R0	R764 358
Human Settlement Development	R1 100 000	R4 446 000	R5 546 000
Joint District Municipal Forum	R0	R500 000	R500 000
Municipal Disaster Recovery Grant	R3 317 836	(R228 270)	R3 089 566
Municipal Infrastructure Grant	R10 745 966	R0	R10 745 966
Municipal Intervention Grant	R217 391	R0	R217 391
Municipal Library Replacement Fund	R0	R371 740	R371 740
Municipal Water Resilience Grant	R1 739 130	R0	R1 739 130
Overberg District Municipality	R26 087	R0	R26 087
Provincial Acceleration Housing Delivery	R6 7108 536	R3 565 217	R10 283 753
Regional socio-economic project programme	R782 609	R0	R782 609
Municipal service delivery and capacity building grant	R0	R676 522	R676 522
Water Services Infrastructure Grant	R10 010 612	R0	R10 010 612
Total	R64 306 605	R 10 595 979	R74 902 584

Operating Budget

The finance department faces challenges regarding the finalization of the operational adjustments budget, especially to balance the increased expenditure with the decreased revenue (excluding government grants) to keep the budget funded.

Overall, operating revenue increased from R 440,1 million to R 469,9 million and operating expenses increased from R 458,1 million to R 495,4 million.

The main adjustments to the operating budget are:

(i) Revenue

- Decrease in water revenue to the amount of R2,9 million. The projected water consumption decreased based on consumer trends and higher winter rains experienced. An error was also incurred on the budget for availability charges for water services which was corrected.
- Interest earned from current and non-current assets increases by R2,3m from R6,6 million to R9,1 million. More interest revenue is projected due to the municipality's favourable cash position.
- Operational revenue increased by R2,3 million which includes the refund for the replacement of damaged assets incurred to date.
- Property rates are projected to decrease by R1,1 million which is due to the objections and category changes in the roll.
- The gains on disposal of assets were removed as no auction is planned for this year.
- Transfers and subsidies increase with R34,4 million which includes additional grants as gazetted by the province on 16 January 2024:
 - R8,1 million from the provincial contribution towards acceleration of housing delivery grants for solar geysers at the housing development (R6.9m) and correction of vat recognition.
 - R16 million from the provincial contribution towards the acceleration of housing delivery grants for the upgrade of the Eskom bulk line for the housing electrification project.
 - R9,3 million from human settlement for the top structure on the Railton Housing project.
 - R428 000 additional for the informal settlements upgrading partnership grant for the formalization studies of the informal settlement.
 - R200 000 from the Western Cape financial management grant which is used for external bursaries.
 - R35 000 from the Overberg District Safety Forum for public safety equipment.

(ii) Expenditure

- Employee-related costs decrease by R2,3 million due to positions not being filled pending the organization structure.
- Bulk purchases increased by R2,3 million. Lessor levels of load shedding are experienced when compared to the previous financial year.
- A correction is made between debt impairment and bad debt written off per the Grap requirements. Thus certain accounting transactions on debtors have been shifted between debt impairment and bad debts written off.
- Depreciation increased by R4,2 million to adjust for increased capital and align with actual depreciation charges allocated in the 2022/2023 financial year-end. Depreciation is currently non-cash on the budget.
- Interest paid includes the projected actuarial calculations which were aligned with the 2022/2023 actuarial reports. These costs are accounting entries and non-cash.
- Contracted services increase with R14,5 million and include the expense items for the increased grants as follows:
 - R6 million from the provincial contribution towards the acceleration of housing delivery. See revenue above.
 - R9,3 million from Human Settlement for the construction of top structures on the Railton housing development. See revenue above.

- Operational Cost increase with R14,8 million which includes the grant received from the housing acceleration programme to increase the demand from Eskom through the upgrade of the bulk Eskom line.

(iii) Other key expenditure inputs which are funded from savings or re-allocation of funds are the following:

- An additional amount of R972 000 for security services;
- An amount of R1- million for SALGA fees;
- An additional amount of R2,1 million for bulk purchases;
- An additional amount of R500 000 for legal fees;

These adjustments are funded from savings between votes and categories of expenditure for the increased projected expenditures and additional grants received.

The February 2024 Adjustment Budget document is attached as Annexure A.

SDBIP

During January 2024 the implementation of the budget and financial performance of the municipality was assessed for the first half of the year taking into consideration the monthly budget statements.

Section 1 of the MFMA defines the SDBIP as a detailed plan approved by the Mayor of a municipality in terms of section 53 (1)(c)(ii) which must include projections for each month of:

- Revenue to be collected by source;
- Operational and capital expenditure by vote;
- Any other matters that may be prescribed.

The adjusted SDBIP and performance agreements in line with the adjustment budget are contained in the following tables:

- Supporting Table SB12 – Adjustment Budget on monthly revenue and expenditure by municipal vote;
- Supporting Table SB13 – Adjustment Budget on monthly revenue and expenditure by vote;
- Supporting Table SB14 – Adjustment Budget on monthly revenue and expenditure by revenue source and expenditure type;
- Supporting Table SB15 – Adjustment Budget on monthly cash flow;
- Supporting Table SB16- Adjustment Budget on monthly capital expenditure by municipal vote;
- Supporting Table SB17 – Adjustment Budget on monthly capital expenditure by vote;

The performance agreements of the section 57 employees and SDBIP will be circulated under Annexure C with the needed amendments indicated.

LEGAL IMPLICATIONS

MFMA Section 28 and National Treasury MFMA Circulars No. 28 and 54 provide directives and guidelines for submitting municipal adjustment budgets to the Council for adoption. The report of the Director Financial Services will represent the documentation in compliance thereof. In

terms of Section 54 (1) (c), the mayor must consider and, if necessary, make any revisions to the SDBIP, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the Council following the approval of the adjustments budget.

FINANCIAL IMPLICATIONS

As per the report of the Director of Financial Services.

PERSONNEL IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

None

COMMENTS FROM DEPARTMENTS

Director: Corporate Services

None

Director: Community Services

None

Director: Financial Services

The cost of materials on average has increased between 20% to 30% in the last twelve months. The impact of load-shedding still affects operations. Generators broke down due to the overutilization of these generators. Difficulties are experienced with the implementation of the capital budget where tendered prices are higher than the budget resulting in price shortfalls and delays.

The municipality payment rate is under pressure and has decreased from an average of above 98% to 96,4%. This is an estimated cash implication of +-R85 000 per month.

It is clear that the increased cost of fuel, food, interest rates, load shedding etc not only impact the municipality but also the residents and businesses of Swellendam Municipality.

Decisions had to be taken to reduce expenditure, on the one hand, to allow for increases in other more urgent demands. This includes the filling of vacant positions, eliminating non-essential expenditures etc to balance the budget.

From the adjustment budget framework, it can be expected that the next medium-term budget will be difficult to balance out all the service delivery demands.

Director: Infrastructure Services

None

Municipal Manager

As per report.

RECOMMENDED

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2. that the SDBIP and performance agreements as per Annexure B be approved by the Council, in terms of section 54(1)(c) of the Municipal Finance Management Act 2003.
3. that the Adjustments Budget be made public and be placed on the municipal website.

RESOLVED

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