

LEPELLE-NKUMPI **LOCAL MUNICIPALITY**

Postal Address

Private Bag X07
CHUENESPOORT
0745

www.lepelle-nkumpi.gov.za

Physical Address

170 BA Civic Centre
LEBOWAKGOMO, 0737
Tel : (+27)15 633 4500
Fax : (+27)15 633 6896

TO: COUNCIL

FROM: EXECUTIVE COMMITTEE

DATE: 10 JUNE 2020

SUBJECT: 2019-2020 SPECIAL ADJUSTMENT BUDGET

1. Introduction

The President of South Africa declared a nationwide lockdown, where all citizens, except those that form part of essential services, were ordered to stay home for a period of 21 days. Those working in essential services, as defined in the latter announcement, were exempted from the nationwide lockdown declaration. The nationwide lockdown commenced at midnight on Thursday, 26 March 2020

Municipalities will be exempted from the timeline provisions in the MFMA, until such time that the national state of disaster declaration is lifted by the Minister of Cooperative Governance and Traditional Affairs.

It also provides for a special adjustments budget to address any expenditure relating to COVID-19 for the current municipal financial year ending 30 June 2020.

Municipalities should note that only one adjustments budget will be allowed between the date of the declaration of the national state of disaster and 15 June 2020, which is the date when it is envisaged to end in terms of the Disaster Management Act (DMA)

2. Legislative Provisions

In terms of sec 28 of the Municipal Finance Management Act no. 56 of 2003:-

.....28. (1) *A municipality may revise an approved annual budget through an Adjustment Budget.*

(2) *An adjustment budget—must adjust the revenue and expenditure estimates downwards if there is Material under-collection of revenue during the current year;*

(c) *May, within a prescribed framework, authorise unforeseeable and unavoidable*

Expenditure recommended by the mayor of the municipality;

In terms of Municipal Finance Management Act no:2003 (MFMA) Sec 28 (2)(b)(d) & (f) and Municipal Budget Reporting Regulations (MBRR) an adjustment Budget may be tabled to Council during a financial year except when the additional revenue from Provincial or National budget allocates or transfer additional revenue to the Municipality the Mayor of the municipality must, at the next available Council meeting but within 60 days of the approval of the relevant Provincial or National adjustment budget, table an adjustment budget referred to in Sec 28 (2) (b) of the MFMA to appropriate this additional revenue.

Sec 24 an Adjustment Budget referred to in sec 28 (2)© of the Act must be tabled in to Council at the first available opportunity after the unforeseen and unavoidable expenditure contemplated in that section was incurred and within the time period set in sec 29(3) of the Act.

3. Discussions

The Municipality has received an amount of R298,000.00 from National Treasury to deal with COVID-19 pandemic.

SPECIAL ADJUSTMENT BUDGET FOR THE 2019/ 2020 MTREF IS OUTLINED BELOW:

FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

Description	Budget Year +1 2020/21	Budget Year +2 2021/22				Up-wards	Reason for Adjustment
	Original Budget	1st Adjusted Budget	2nd Adjusted Budget	Budget Year +1 2020/21	Budget Year +2 2021/22		
Revenue By Source							
Property rates	30,208,936.31	30,208,936.31	30,208,936.31	31,840,218.87	33,559,590.69		
Service charges - refuse revenue	7,709,700.14	6,019,777.23	6,019,777.23	6,344,845.20	6,687,466.84		
Rental of facilities and equipment	842,558.65	479,277.56	479,277.56	505,158.54	532,437.11		
Interest earned - external investments	5,324,446.04	7,182,288.32	7,182,288.32	7,570,131.89	7,978,919.01		
Interest earned - outstanding debtors	10,190,861.77	11,514,791.08	11,514,791.08	8,309,001.01	8,757,687.06		
Fines, penalties and forfeits	1,460,684.35	2,513,444.35	2,513,444.35	2,649,170.34	2,792,225.54		
Licences and permits		7,836.22	7,836.22	8,259.38	8,705.39		
Agency services	10,783,804.98	16,686,369.59	16,686,369.59	13,557,913.46	14,290,040.79		
Transfers and subsidies	253,358,000.00	278,874,455.00	279,172,455.00	277,753,000.00	295,898,000.00	298,000.00	The Municipality has

							received Municipal Disaster Grant an amount of R298, 000.00 from National Treasury for Covid-19 relief.
Other revenue	34,487,762.14	4,068,814.00	4,068,814.00	7,962,412.47	1,541,382.74		
Total Revenue (excluding capital transfers and contributions)	354,366,754.38	357,555,989.66	357,853,989.66	356,500,111.17	372,046,455.17		
Expenditure By Type							
Employee related costs	110,278,045.00	106,076,628.24	106,076,628.24	116,233,059.00	122,509,644.00		The
Remuneration of councillors	27,577,740.03	27,577,740.03	27,577,740.03	29,066,937.99	30,636,552.65		Municipality spend an amount of R151, 127.05 on Overtime during level 5 & 4 of the lockdown during level 5 & 4 of the lockdown

							as the vote does not overspend the is no need for adjustment..
Debt impairment	32,630,785.57	28,476,010.00	28,476,010.00	30,013,714.42	31,634,455.00		
Depreciation & asset impairment	37,872,000.00	30,872,000.00	30,872,000.00	32,539,088.00	34,296,198.75		
Finance charges	135,000.00	135,000.00	135,000.00	142,290.00	149,973.66		
Other materials	8,159,747.11	3,102,977.00	3,400,977.00	3,584,629.76	3,778,199.76	298 000.00	To Cover the Covid-19 related expenditure which were not previously budgeted.
Contracted services	48,086,844.74	57,336,934.00	57,336,934.00	63,414,530.54	71,132,446.79		
Other expenditure	39,534,651.57	43,030,935.00	43,030,935.00	41,782,611.63	43,318,784.55		The Municipality spend an amount of R81, 206.90 on Travelling and Subsistence during level 5 & 4 of the

							lockdown as the vote does not overspend the is no need for adjustment..
Total Expenditure	304,274,814.03	296,608,224.27	296,906,224.27	316,776,861.35	337,456,255.17		
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	54,074,000.00	54,380,135.00	54,380,135.00	57,035,000.00	61,296,000.00		
Surplus/(Deficit) before taxation	104,165,940.35	115,327,900.39	115,327,900.39	96,758,249.82	95,886,200.00		

Due to Covid-19 Pandemic the Municipality has received a correspondence from National Treasury all the requesting the Municipalities to make a submission of any uncommitted funds against the Municipal Infrastructure Grant (MIG) on which may be utilised against the COVID-19.

The funds reallocated for disaster alleviation are also subject to the following conditions prescribed by the department of Cooperative Governance (DCoG) to:-

- ✓ Allow MIG funding to be used for the repairs (unplanned) and maintenance (unplanned and planned) of infrastructure components on systems hampering the delivery of water and sanitation services to the poor; and
- ✓ Allow non-Water Services Authorities to utilize the MIG to fund water and sanitation infrastructure development activities, including repairs and maintenance to curb the spread of COVID-19 pandemic. The investment by the Non-WSA must be informed by a mutual agreement with the relevant WSA through a Service Level Agreement.

Refer to the attached letter

The municipality is not covered by the conditions stated above as they are not the water service authority and does not provide the water and sanitation services.

The Municipality has consulted Provincial Treasury to make an adjustment on capital budget to includes the projects which were funded by oen to be funded by MIG and to move the projects which were approved on the MTREF budget but not prioritised in the current financial year 2019/2020 to improve the expenditure on the MIG and they referred us to department of COGHSTA and COGTA as they are the transferring agent. The department of Technical Services is currently in consultation with COGHSTA and COGTA for the approval of the MIG revised business plan.

We are therefore proposing the following:-

3.1 Further more to move the following projects which were funded from own funding to be funded by MIG to improve the expenditure as we were unable to spend due to COVID -19 level 5 and 4 which restricted constructions of projects :-

Table 1

Development of recreational Facilities Makhushaneng ward 7	R320,363.26
Development of recreational Facilities Majiane ward 24	R1,317,736.12

3.2 To move MIG Projects which were approved in the MTREF Budget i.e 2020-2021 and 2021-2022 but not prioritised in the current financial year (2019-2020) to be prioritised

Table 2

Upgrading of Mashite Road from gravel to tar and stormwater control : Multi Year (Ward 25)	R1 856 269.95
Upgrading of Mogoto to Moshongo access road from gravel to Tar and stormwater control (Multi-year) (Ward 9 and 11)	R1 856 269.95
Upgrading of Dithabaneng access road from gravel to Tar and stormwater control (Multi-year) (Ward 21)	R1 856 269.95
Upgrading of Gravel to Tar of Majiane/Makaung/ Makaepa Access Road	R1 856 269.95

(Ward 24 & 19)

3.3 To allocate budget to the following projects which were not rolled over from previous financial year (2019-20) for payment of designs.

Table 3

Mogollane: Construction of Stormwater drainage (Ward 08)	R1 300 000.00
Construction of Stormwater: Mathibela	R1 000 000.00

The adjustments will not change the total capital budget of R 115, 327,900.39

Special Adjustment Budget Related Resolutions

1. That Council approves the Special Adjustment Budget of Lepelle – Nkumpi for the financial year 2019/2020 and indicative for the two projected outer years 2020/2021 and 2021/2022 be tabled as set –out.

- a) MBRR Table B1 – Monthly Budget Summary
- b) MBRR Table B2 - Budgeted Financial Performance (revenue and expenditure by standard)
- c) MBRR Table B3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)
- d) MBRR Table B4 - Budgeted Financial Performance (revenue and expenditure)
- e) MBRR Table B5 - Budgeted Capital Expenditure by vote, standard classification and funding source
- f) MBRR Table B6 - Budgeted Financial Position
- g) MBRR Table B7 - Budgeted Cash Flow
- h) MBRR Table B8- Budgeted cash back reserve/ accumulated surplus/deficit
- i) MBRR Table B9- Budgeted Assets Management
- j) MBRR Table B10-budgeted Service delivery measurement

1. That Council to approves additional allocation of R_ R298, 000.00 to be received from National Treasury as part of Municipal Disaster Relief Grant to assist in the response to Covid-19

2. That Council to approves the special Adjustment Budget in line with Gazettee no. 43181 issued on the 30 March 2020 on Local Government Municipal Finance Management Act 2003- Exemption from ACT and REGULATIONS, which requires any action to be taken between the date of the publication of this notice and the date of the National Disaster lapses, or is terminated in terms of sec 27(5) of the disaster Management Act 2002.

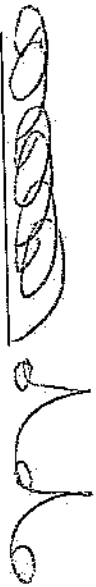
3. That Council to approves the special Adjustment Budget to cover the expenditure linked to emergency to address COVID-19.

4. That Council to provisionally approve the proposed adjustment budget on capital budget pending COGTA response for approval.

5. That Council to approves the total budget be increased by R298,000.00 as follows:-

6. That Council to approves the adjustment budget as follows:-

Budget	2019-2020 Budget	2019-2020 1 st Adjustment Budget	2019-2020 2 nd Adjustment Budget	2020-2021 Budget	2021-2022 Budget
Total Revenue	408,440,754.38	411,936,124.66	412,234,124.66	413,535,111.17	433,342,455.17
Total Operating Expenditure	304,274,814.03	296,608,224.27	296,906,224.27	316,776,861.35	337,456,255.17
Total Capital Expenditure	104,165,940.35	115,327,900.39	115,327,900.39	96,758,249.82	95,886,200.00
Surplus/Deficit	104,165,940.35	115,327,900.39	115,327,900.39	96,758,249.82	95,886,200.00



M M MOLALA

THE MAYOR

DATE

