ANNEXURE A

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive II innovative II inspired

Rollover Adjustments

Budget Report

(Section 28 of the MFMA)

August 2022

QUALITY CERTIFICATE

I, Mr Johannes Jonkers, the Acting Municipal Manager of Knysna Municipality hereby certify that the August 2022 Roll-Over Adjustments Budget has been prepared in accordance with the Municipal Finance Management Act and Regulations made under that Act, and that the Adjustments Budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

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MUNICIPAL MANAGER (Acting)	**CHIEF FINANCIAL OFFICE (Acting)**
MR J JONKERS	**MS LZ SOTSHEDE**

To the Speaker

Section 28(1) of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA) determines that a municipality may revise an approved annual budget through an adjustments budget.

Section 28(2)(e) of the MFMA determines that an adjustments budget 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.

Section 28(4) of the MFMA determines that only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing and frequency.

Regulation 23(5) of the Municipal Budget and Reporting Regulations (MBRR) determines that an adjustments budget referred to in section 28(2) (e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.

In accordance with the above, I herewith submit the August 2022 Adjustments Budget Report for the 2022/2023 financial year to be considered by Council.

EXECUTIVE MAYOR
CLLR LEVAEL DAVIS

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1. INTRODUCTION

1.1 Section 28 of the MFMA determines that –

"(1) A municipality may revise an approved annual budget through an adjustments budget **[which is the case]**.

(2) An adjustments budget –

(a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year **[which is not the case]**;

(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 ***[which is not the case]****;*

(c) May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality **[which is not the case]***;*

(d) May authorise the utilisation of projected savings in one vote towards spending under another vote **[which is not the case]***;*

(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 **[which is the case]***;*

(f) May correct any errors in the annual budget **[which is not the case]***; and*

(g) May provide for any other expenditure within a prescribed framework **[which is not the case]**.

(3) An adjustments budget must be in a prescribed form [Schedules B1 to B10, attached as Appendix 3 to the report].

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing and frequency **[which is the case– by 25 August 2022]**.

(5) When an adjustments budget is tabled, it must be accompanied by –

(a) An explanation how the adjustments budget affects the annual budget **[which is the case]***;*

(b) A motivation of any material changes to the annual budget **[which is the case]***;*

(c) An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years **[whichis the case]***; and*

(d) Any other supporting documentation that may be prescribed **[which is the case]**.

(6) Municipal tax and tariffs may not be increased during a financial year **[which is not the case]**.*"*

1.2 Regulation 23(5) of the MBRR determines that –

"*An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate* **[which is the case]**."

1.3 The budget has been evaluated and adjusted based on the above-mentioned legislative requirements.

2. EXECUTIVE SUMMARY

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, except for funds relating to capital expenditure. Unspent capital expenditure funds from the previous financial year may be rolled-over into the new financial year subject to there being committed capital expenditure through tenders awarded and/or orders issued.

The rollover of unspent funds for capital expenditure, and the corresponding effect on revenue, necessitates a Roll-Over Adjustments Budget for the 2022/2023 financial year, to be tabled for Council consideration.

3. HIGH LEVEL OPERATING ADJUSTMENTS BUDGET

3.1 OPERATING REVENUE PER CATEGORY

3.1.1 The high-level adjustments budget summary of operating revenue per category is presented in Table 1 below.

3.1.2 Total revenue (Row 19) increases by R 6.7 million from R 1.106 billion to R 1.115 billion in the 2022/2023 financial year. This resulted from additional revenue for operating and capital grants of R 6.7 million.

3.1.2 The process to prepare annual financial statements for 2021/2022 is underway and prior figures are therefore still subject to change.

Table 1: High level Summary of Operating Revenue per Capegory

Row Number	Description	2021-22 Final Budget	2021-22 Actuals (19Aug2022)	2021-22 Final Variance	2022-23 Tabled Budget	Adjustments	2022-23 Original Budget	Roll-Over Grants	Roll-Over Other	Roll-Over Adjustments Budget
Column Reference	A	B	C	D	E	F	G	H	I	J
1	Property Rates	248 930 052	248 029 862	900 190	261 551 911	-	261 551 911			261 551 911
2	Electricity Revenue	328 352 890	312 716 056	15 636 834	359 929 013	- 5 607 665	354 321 348			354 321 348
3	Water Revenue	71 169 871	71 813 897	644 026	74 586 025	-	74 586 025			74 586 025
4	Sanitation Revenue	27 968 426	28 092 051	123 625	29 310 910	-	29 310 910			29 310 910
5	Refuse Revenue	24 961 272	24 993 651	32 379	27 831 817	-	27 831 817			27 831 817
6	Rental Revenue	5 146 114	4 666 790	479 324	5 444 020	-	5 444 020			5 444 020
7	Interest on Investments	2 026 013	1 982 445	43 568	2 046 273	-	2 046 273			2 046 273
8	Interest on Debtors	19 130 323	19 452 673	322 350	19 321 626	-	19 321 626			19 321 626
9	Fines Revenue	104 656 700	196 728	104 459 972	119 059 010	-	119 059 010			119 059 010
10	Licences Revenue	1 620 502	1 465 771	154 731	1 698 285	-	1 698 285			1 698 285
11	Agency Services	3 654 335	3 997 065	342 730	3 829 743	-	3 829 743			3 829 743
12	Operating Grants	169 166 241	145 838 758	23 327 483	154 688 785	257 128	154 945 913	6 731 990		161 677 903
13	Other Revenue	8 284 739	13 283 959	4 999 220	7 862 155	-	7 862 155			7 862 155
14	Gains on Disposal of PPE	250 000	570 448	320 448	250 000	-	250 000			250 000
15	Total Revenue (Capital Grants Excluded)	1 015 317 478	877 100 155	151 786 878	1 067 409 573	-5 350 537	1 062 059 036	6 731 990	0	1 068 791 026
17	Capital Grants	53 355 737	45 492 510	7 863 227	46 468 087	-	46 468 087			46 468 087
18	Public Contributions	-	221 546	221 546	-	-	-			-
19	Total Revenue (Capital Grants Included)	1 068 673 215	922 814 210	159 871 652	1 113 877 660	-5 350 537	1 108 527 123	6 731 990	0	1 115 259 113

3.1.4 The total adjustments above consist of the below grant items:

Grants rolled over:	
Description	**Amount**
Greater Knysna Food Security Forum	1 000 000
EPWP	114 000
TRP - Vision 2002	4 724 758
Grant Income - WCPA (Public Employment Support Grant	893 232
	6 731 990

3.2 OPERATING EXPENDITURE PER CATEGORY

3.2.1 The high-level adjustments budget summary of operating expenditure per category is presented in Table 2 below.

3.2.2 Total operating expenditure increased by R8.9 million from R 1.061 billion to R1.070 billion. The breakdown of this is as follows:

- Employee costs (line 16) which increased by R6.8 million,
- Other Materials (line 22) by R1.1 million decrease,
- Contracted Services (line 23) with a net decrease of R335 thousand,
- Transfers and Subsidies (line 24) decreased by R1 million
- Other Expenditure which increased by RR2.6 million.

Table 2: High level Summary of Operating Expenditure per Capegory

Row Number	Description	2021-22 Final Budget	2021-22 Final Actuals (23Aug2022)	2021-22 Final Variance	2022-23 Tabled Budget	Adjustments	2022-23 Original Budget	Roll-Over Grants	Roll-Over Other	Roll-Over Adjustments Budget
Column Reference	A	B	C	D	E	F	G	H	I	J
16	Employee Related Costs	293 840 212	272 095 253	21 744 959	311 723 947	- 11 872 738	299 851 209	1 007 232	5 802 570	306 661 011
17	Remuneration of Councillors	9 321 208	9 027 468	293 740	9 449 164	300 001	9 749 165			9 749 165
18	Bad Debt Provision	142 920 351	50 220 351	92 700 000	148 538 756	- 297 943	148 240 813			148 240 813
19	Depreciation	43 670 094	-	43 670 094	43 687 538	-	43 687 538			43 687 538
20	Finance Charges	24 199 242	23 026 196	1 173 046	28 846 141	-	28 846 141			28 846 141
21	Bulk Purchases	242 787 132	240 866 328	1 920 804	254 156 491	8 000 000	262 156 491			262 156 491
22	Other Materials	47 534 526	45 760 762	1 773 764	37 631 525	1 152 024	38 783 549		- 1 157 040	37 716 509
23	Contracted Services	180 964 311	164 149 713	16 814 598	165 470 829	1 106 522	166 577 351	4 724 758	- 5 059 971	166 152 138
24	Transfers and Subsidies	4 574 946	1 923 694	2 651 252	1 766 506	150 000	1 916 506	1 000 000		2 916 506
25	Other Expenditure	61 209 518	61 288 941	- 79 423	60 834 183	632 053	61 466 236		2 679 895	64 146 131
26	Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-
27	Total Operating Expenditure	1 051 021 540	868 358 705	182 662 835	1 062 105 080	- 830 081	1 061 274 999	6 731 990	2 265 454	1 070 272 443

3.3 OPERATING REVENUE AND EXPENDITURE SUMMARY

3.3.1 The high-level adjustments budget summary of operating revenue and expenditure is presented in Table 3 below.

3.3.2 The budgeted operating surplus (capital grants excluded) (Row 3) of R 784.0 thousand decreased to a deficit of R 1.481 million. This represents an adjustments budget, which is not fully funded, which will require rectification in the next adjustments budget.

Table 3: High level Summary of Operating Revenue & Expenditure Budget

Row Number	Description	2021-22 Final Budget	2021-22 Final Actuals (23Aug2022)	2021-22 Final Variance	2022-23 Tabled Budget	Adjustments	2022-23 Original Budget	Roll-Over Grants	Roll-Over Other	Roll-Over Adjustments Budget
Column Reference	A	B	C	D	E	F	G	H	I	J
1	Operating Revenue	1 015 317 478	877 100 155	138 217 323	1 067 409 573	5 350 537	1 062 059 036	6 731 990	-	1 068 791 026
2	Operating Expenditure	1 051 021 540	868 358 705	182 662 835	1 062 105 080	(830 081)	1 061 274 999	6 731 990	2 265 454	1 070 272 443
3	**Surplus/Deficit**	**(35 704 062)**	**8 741 450**	**(44 445 512)**	**5 304 493**	**6 180 618**	**784 037**	**-**	**(2 265 454)**	**(1 481 417)**
4	Capital Revenue	53 355 737	45 492 510	7 863 227	46 468 087	-	46 468 087			46 468 087
5	Public Contributions	-	221 546	221 546	-	-	-			-
		17 651 675	(54 455 505)	36 803 830	(51 772 580)	4 520 456	(47 252 124)	-	2 265 454	(44 986 670)

4. HIGH LEVEL CAPITAL ADJUSTMENTS BUDGET

4.1 CAPITAL BUDGET PER DIRECTORATE

4.1.1 The high level adjustments budget of capital expenditure per directorate is presented in Table 4 below.

Table 4: Capital Expenditure Budget per Directorate

Row Number	Description	2021-22 Final Budget	2021-22 Final Actuals (23Aug2022)	2021-22 Final Variance	2022-23 Tabled Budget	Adjustments	2022-23 Original Budget	Roll-Over Grants	Roll-Over Other	Roll-Over Adjustments Budget
Column Reference	A	B	C	D	E	F	G	H	I	J
1	Executive and Council	19 044	19 044	- 0	350 000	-	350 000			350 000
2	Corporate Services	2 727 453	2 383 316	344 137	3 709 265	- 869 565	2 839 700		800 000	3 639 700
3	Financial Services	317 750	316 842	908	445 000	-	445 000			445 000
4	Planning and Development	652 532	589 220	63 312	524 550	-	524 550		106 701	631 251
6	Community Services	13 336 530	8 612 496	4 724 034	20 070 217	- 1 700 000	18 370 217		3 256 702	21 626 919
7	Electrical Services	21 683 332	21 766 903	- 83 571	14 760 435	2 050 000	16 810 435		960 076	17 770 511
8	Technical Services	103 549 081	93 169 000	10 380 081	75 071 934	1 150 000	76 221 934		1 524 665	77 746 599
5	Integrated Human Settlements	14 116 555	5 207 796	8 908 759	1 512 445	500 000	2 012 445			2 012 445
9	Grand Total	156 402 277	132 064 618	24 337 659	116 443 846	1 130 435	117 574 281	-	6 648 144	124 222 425

4.2 CAPITAL BUDGET PER FUNDING SOURCE

4.2.1 The high level adjustments budget of capital expenditure per funding source is presented in Table 5 below.

Table 4: Capital Expenditure Budget per Funding Source										
Row Number	Description	2021-22 Final Budget	2021-22 Final Actuals (23Aug2022)	2021-22 Final Variance	2022-23 Tabled Budget	Adjustments	2022-23 Original Budget	Roll-Over Grants	Roll-Over Other	Roll-Over Adjustments Budget
Column Reference	A	B	C	D	E	F	G	H	I	J
1	National Government Grants	37 906 741	35 430 244	2 476 497	46 468 086	-	46 468 086	-	-	46 468 086
2	Provincial Government Grants	15 329 000	6 378 112	8 950 888	-	-	-	-	-	-
3	District Municipality Grant	120 000	-	120 000	-	-	-	-	-	-
4	Borrowings	95 035 006	82 357 473	12 677 533	61 429 565	- 239 565	61 190 000	-	6 241 443	67 431 443
5	Internally Generated Funds	8 011 530	7 677 242	334 288	8 546 195	1 370 000	9 916 195	-	406 701	10 322 896
6	Public Contributions	-	221 546	- 221 546	-	-	-	-	-	-
7	Grand Total	156 402 277	132 064 618	24 337 659	116 443 846	1 130 435	117 574 281	0	6 648 144	124 222 425

4.2.2 Historically, the Municipality did not achieve full spending of the capital budget allocation. It is therefore essential for each Directorate to closely monitor the progress of their respective capital projects; ensure timeous spending; and to ensure that expenditure is in accordance with the capital expenditure budget.

5. RECOMMENDATIONS

It is recommended that –

5.1 The total revenue of R 1 108 527 123 (capital grants included) approved by Council in May 2022 be increased by R 6 731 990 to R 1 115 259 113 for the 2022/2023 financial year, as presented in Table 1 of the August 2022 Roll-Over Adjustments Budget Report.

5.2 The total operating expenditure of R 1 061 274 999 approved by Council in May 2022 be increased by R 8 997 444 to R 1 070 272 443 for the 2022/2023 financial year, as presented in Table 2 of the August 2022 Roll-Over Adjustments Budget Report.

5.3 The surplus for the year of R 784 037 (capital grants included) approved by Council in May 2022 be decreased by R 2 265 454 to R 1 481 417 deficit for the 2022/2023 financial year, as presented in Table 3 of the August 2022 Roll-Over Adjustments Budget Report and deficit be corrected during February 2023 adjustments.

5.4 The total capital expenditure budget of R 117 574 281 approved by Council in May 2022 be increased by R 6 731 990 to R 124 222 425 for the 2022/2023 financial year, as presented in Table 4 of the August 2022 Roll-Over Adjustments Budget Report.

5.5 The capital expenditure budget of R 117 574 281 be funded from the following revenue sources, as presented in Table 5 of the August 2022 Roll-Over Adjustments Budget Report –:

5.5.1 Capital Replacement Reserve (R 10 322 896);
5.5.2 Secured national government and provincial government grants (R46 468 086); and
5.5.3 External loans (R67 431 443).

6. APPENDICES

Appendix 1: Capital Line Item Budget per Directorate, Department and per Capital Project;
Appendix 2: Municipal Budget and Reporting Regulations: B Schedules.

7. TABLES

Table 1: High Level Summary of Revenue per Category;
Table 2: High Level Summary of Operating Expenditure per Category;
Table 3: High Level Summary of Operating Revenue and Expenditure;
Table 4: High Level Capital Budget per Directorate; and
Table 5: High Level Capital Budget per Funding Source.