

EXTRACT FROM THE MINUTES OF THE SPECIAL VIRTUAL MEETING OF THE NEWCASTLE MUNICIPAL COUNCIL HELD ON WEDNESDAY, 24 AUGUST 2022 AT 14:00

PRESENT

Councillor	T	M	Zulu	:	Speaker
Councillor	V	V	Bam	:	Logged in with Cllr. N.S. Zulu
Councillor	M	E	Buthelezi		
Councillor	S	B	Buthelezi		
Councillor	F		Cassim		
Councillor	E	J	C	Cronje	
Councillor	T	N		Dlamini	
Councillor	D	X		Dube	: Mayor
Councillor	N	C		Dube	
Councillor	F	L		Duma	
Councillor	V	F		Hadebe	
Councillor	P			Hariram	
Councillor	M	E		Hlatshwayo	
Councillor	M	M	E	Hlatshwayo	
Councillor	L	M		Khumalo	
Councillor	N	R		Khumalo	
Councillor	C	B		Kubheka	
Councillor	N	Z	B	Kunene	
Councillor	M	T		Lethea	
Councillor	C	Y		Liu	
Councillor	B	G		Madi	
Councillor	Z	E		Madi	
Councillor	X	S		Makhubo	
Councillor	F	A		Malinga	
Councillor	B	D		Mathunjwa	
Councillor	N	P		Maseko	
Councillor	N	S	F	Masondo	
Councillor	S	P		Masuku	
Councillor	L	I		Mathe	
Councillor	L	P		Mazibuko	
Councillor	A	P		Meiring	
Councillor	A	E		Mkhwanazi	
Councillor	M	P		Mkhwanazi	
Councillor	P	F		Mnisi	
Councillor	S	W		Mngomezulu	
Councillor	M	V		Molefe	
Councillor	R	M		Molelekoa	
Councillor	N	P		Mthabela	
Councillor	L	P		Ndebele	
Councillor	M	O		Ndlovu	
Councillor	C	S		Ngcobo	
Councillor	R	N		Ngcobo	
Councillor	A	T		Nkosi	
Councillor	S	E		Nkosi	
Councillor	W	P		Nkosi	
Councillor	S			Ntsele	
Councillor	M	J		Ntshangase	
Councillor	R	B	S	Russell	
Councillor	N	P		Shabalala	
Councillor	S	E		Shabangu	
Councillor	V	N		Sibeko	
Councillor	L	C		Sithebe	
Councillor	F	N		Sithole	
Councillor	B	R		Thusi	
Councillor	S	M		Thwala	: Deputy Mayor
Councillor Dr	J	A		Vorster	
Councillor	L	P		Ximba	
Councillor	S	A		Yende	
Councillor	V	G		Zondo	
Councillor	N	S		Zulu	
Councillor	Z	E		Zwane	

ABSENT WITH APOLOGY

Councillor	M	J	Diadla	:	Other commitments
Councillor	M	T	D Makhoba	:	Other commitments
Councillor	M	V	Mbatha	:	Other commitments

ABSENT WITHOUT APOLOGY

Councillor	H	N	Khumalo
Councillor	T	E	Mthembu
Councillor	S		Singh

TRADITIONAL LEADERS

Nkosi	B	S	Radebe	:	Not Present
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OFFICIALS PRESENT

Municipal Manager	:	Mr	Z	W	Mcineka
Strategic Executive Director : Corporate Services	:	Dr	P	D	Thabethe
Strategic Executive Director : DP&HS	:	Mrs	N	P	Khathide
Director : Administration	:	Mrs	D	R	Molefe
Director : Budget and Financial Reforms	:	Mr	M	S	Ndlovu
Acting Manager : General Administration and Secretariat	:	Mrs	Z		Sibeko

CM 85 : ADJUSTMENTS BUDGET : CAPITAL ROLL-OVERS AND APPROPRIATION OF GRANT FUNDED PROJECTS (T 6/1/1)**RESOLVED**

- (a) That, approval be granted for committed internally funded projects for 2021/22 financial year be rolled over to the 2022/23 financial year, attached as Annexure "A".
- (b) That, applications for roll-over of the unspent grants received in 2021/22 be submitted to the National and Provincial Treasury.
- (c) That, roll-over applications approved as per (b) above be immediately appropriated into the 2022/23 budget to avoid further delays on the projects.
- (d) That, the IDP and PMS be amended according with the adjustments emanating from (a) and (b) above.
- (e) That, a report detailing on how funds were managed, hence the required roll-over, be submitted to the Finance Portfolio Standing Committee.

I, the undersigned, **ZAMOKWAKHE WESLEY MCINEKA**, in my capacity as **MUNICIPAL MANAGER** to the Newcastle Municipal Council, hereby certify the above as a true extract from the minutes of the special virtual Council meeting held on 24 August 2022.


Z.W. MCINEKA
MUNICIPAL MANAGER

Newcastle

ADJUSTMENTS BUDGET: CAPITAL ROLL-OVERS AND APPROPRIATION OF GRANT FUNDED PROJECTS: (T6/1/1-2022/23): BUDGET AND TREASURY OFFICE: AUGUST 2022

Ref, No	: T 6/1/1 (2022/23)
Author	: M.S. Ndlovu
1 st Level	: Finance Portfolio Committee
2 nd Level	: Executive Committee
3 rd Level	: Council
4 th Level	: KZN Provincial Treasury

1. PURPOSE

The purpose of this report is to obtain council approval to roll-over unspent balances of the internally funded and committed projects. The report also seeks to obtain council approval to appropriate balances of grants for which roll-over approval has been obtained from National and Provincial Treasuries.

2. BACKGROUND

The municipality has experienced delays in the completion of some of the projects in the 2021/22 financial year, mainly due to the impact of the delays in appointing contractors for certain projects and the challenges on the group for some of the projects. If these projects are not completed, expenditure already incurred on such projects may result in fruitless and wasteful expenditure as well as the reverting of funds to the National Revenue Fund for those projects funded by conditional grants. It is therefore imperative that Council considers rolling over these balances to the current financial year.

3. DISCUSSION

Roll over of internally funded projects is done in line with Section 28(1)(e) of the Municipal Finance Management Act read together with regulation 23(5) of the Municipal Budget and Reporting Regulations which requires Council to authorise the spending of funds that were unspent at the end of the past financial year, where the underspending could not have been reasonably foreseen to be included as part of the annual budget preparation.

The list of the projects or balances to be rolled over are contained in the annexures below:

Annexure A

This annexure contains the balances of internally funded and committed projects for which approval for roll-overs is sought from Council. An amount of R23 million to complete projects which were delayed last year is required to be rolled over as some of them are already on the ground. It must be mentioned that R17 million of

the afore-mentioned amount includes the accreditation and LGSETA funds for which application for roll-overs is not required as the conditions for these grants were already met upon receipt of grant funding.

Annexure B

This annexure contains balances of projects funded from conditional grants which were received during and prior to 2021/22 financial years and for which applications for roll-overs will be submitted to National and Provincial Treasuries by 31 August 2022 in line with DoRA S21. Approval is sought to appropriate these balances into the budget as soon as the approval from National and Provincial Treasuries has been obtained. An amount of R137.3 million is required for this purpose.

3. LEGAL IMPLICATIONS

Section 28(1)(e) of the Municipal Finance Management Act read together with regulation 23(5) of the Municipal Budget and Reporting Regulations stipulates that, *by not later than 25 August, the municipality may adopt an adjustments budget to authorise the spending of funds that were unspent at the end of the past financial year where the under-expenditure could not reasonably have been foreseen at the time to include projected roll-overs where the annual budget of the current year was approved by council.*

Section 21 of the 2021 DoRA, in conjunction with the Division of Revenue Amendment Act, 2021 (DoRA), requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund (NRF), unless the rollover of the allocation is approved. The receiving officer is required to prove to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

POLICY IMPLICATIONS

The appropriation of unspent capital funds and unconditional grants is done in accordance with the approved Budget Policy of the Newcastle Municipality.

4. FINANCIAL IMPLICATIONS

Circular 115 reiterates the requirements of the rollover and unspent conditional grants process in line with conditions outlined in the annual Division of Revenue Act. Municipalities are required to apply for rollover approval for any unspent conditional grants that were allocated through the annual Division of Revenue Act. Failure by the municipality to make an application or obtain approval may result to a municipality paying all unspent grants to the National Treasury or have it deducted from its equitable share. Applications amounting to R137 million have been made in this regard. This amount includes an amount of R110 million in respect of housing projects, which was received in the 2021/22 financial year.

Furthermore, internally funded projects amounting to R23 million will be appropriated to the 2022/23 budget is approved. It must be noted that expenditure on some of these projects has already been made, and failure to roll-over unspent funds may result into the fruitless and wasteful for expenditure already incurred if these projects are not completed.

RISKS

The failure to receive the positive response on grant application may result in the municipality having to revert unspent conditional grants back to National Treasury, whereas failure to approve committed internally funded projects already on ground may result to fruitless and wasteful expenditure if they are not completed.

5. MANAGEMENT OF RISKS

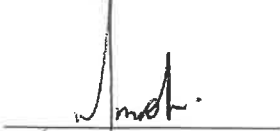
The municipality is currently implementing the Budget Funding Plan to ensure that expenditure is prioritised to core-functions. There may be a need to reprioritise funding from other votes if roll-overs are not approved in order to complete projects already committed.

6. RECOMMENDATIONS

- 6.1 That approval be granted for committed internally funded projects for 2021/22 financial year to be rolled over to the 2022/23 financial year as per Annexure A
- 6.2 That applications for roll-over of the unspent grants received in 2021/22 be submitted to the National and Provincial Treasuries;
- 6.3 That roll-over applications approved as per (b) above be immediately appropriated into the 2022/23 budget to avoid further delays on projects;
- 6.4 That the IDP and PMS be amended according with the adjustments emanating from a and b above.


SED: BTO

Report prepared by:



Report seen by:

DX DUBE
PORTFOLIO COUNCILLOR
BUDGET AND TREASURY OFFICE



SM NKOSI
STRATEGIC EXECUTIVE DIRECTOR:
BUDGET AND TREASURY OFFICE

2021/22 CAPITAL AND OPERATIONAL GRANT ROLLOVERS- ANNEXURE C									
COMMUNITY SERVICES	GRANT CATEGORY	SOURCES OF FUNDING	TOTAL BUDGET	YEAR TO DATE EXPENDITURE	BALANCE (HYPERTEXT)	GRANT SYSTEM CATEGORY	ROLL OVER AMOUNT	MOTIVATION COMMENTS	
COMMUNITY SERVICES	MUSEUM GRANT	MUSEUM GRANT	50,000	47,000	7,960		7,960		
	MUSEUM GRANT	MUSEUM GRANT	50,000	50,000	0		50,000		
	MUSEUM GRANT	MUSEUM GRANT	2,000	165,801	163,801		165,801	Amount to be re-allocated to 0101862102021	
	MUSEUM GRANT	MUSEUM GRANT	38,911	24,710	4,201		4,201	Amount to be re-allocated for carpets (carpet) (186)	
	MUSEUM GRANT	MUSEUM GRANT	61,674	58,462	3,212		3,212	Amount to be re-allocated for carpets (carpet) (186)	
	MUSEUM GRANT	MUSEUM GRANT	10,000	8,250	1,741		1,741	Re-allocated with grant balance	
	MUSEUM GRANT	MUSEUM GRANT	2,000		2,000		2,000	156,000 to be re-allocated for art purchases (carpet) (185)	
	MUSEUM GRANT	MUSEUM GRANT	2,000		2,000		2,000	RS8613 to 010185010454	
	MUSEUM GRANT	MUSEUM GRANT	6,000	9,750	3,750		3,750	(This cost centre was omitted and the budget was taken away at the end of June)	
	MUSEUM GRANT	MUSEUM GRANT	86,878	13,845	73,033		73,033	Amount to remain on cost centre	
	MUSEUM GRANT	MUSEUM GRANT	175,810	96,805	79,005		79,005	Amount to remain on cost centre	
	MUSEUM GRANT	MUSEUM GRANT	61,232	49,441	11,791		11,791	Amount to be re-allocated to 010186010452 for furniture	
	MUSEUM GRANT	MUSEUM GRANT	49,916	32,722	17,194		17,194	Amount to be re-allocated for carpets (carpet) (186)	
	MUSEUM GRANT	MUSEUM GRANT	797,421	997,794	427,017		599,714		
	COMMUNITY LIBRARY GRANT (ROLL OVER) 2020/21	COMMUNITY LIBRARY GRANT (ROLL OVER) 2020/21	353,976	346,985	4,991		4,991	The amount of R18 925 to be rolled over and re-allocated as follows:	
	COMMUNITY LIBRARY GRANT	COMMUNITY LIBRARY GRANT	2,475,000	1,641,476	833,524		18,925	010272010001 58T accommodation R19425	
	COMMUNITY LIBRARY GRANT	COMMUNITY LIBRARY GRANT	2,217,978	1,899,411	318,567		318,567	010272010003 58T food R4500	
	COMMUNITY LIBRARY GRANT	COMMUNITY LIBRARY GRANT						010272010070 58T R10000	
	COMMUNITY LIBRARY GRANT	COMMUNITY LIBRARY GRANT						010272010095 Petrol Oil & Grease R2000	
	PROVINCIALISATION GRANT (ROLL OVER) 2020/21	PROVINCIALISATION GRANT (ROLL OVER) 2020/21	832,033	539,934	292,099			The amount of R46 194 to be rolled over and re-allocated as follows:	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	4,469,386	4,071,875	397,511			182 Consultancy fees R110/79	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	353,281	173,840	179,441			0101820100311 Promotions R5000	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	19,519	216,219	19,700			010182010001 58T accom R13615	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	158,950	36,431	122,519			010182010002 58T daily R3000	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	156,000	126,303	29,697			010182010003 58T food R5500	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	491,251	79,244	412,007			010182010070 58T R2000	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	1,947	1,947	0			010182010095 Petrol R6000	
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	36,458	42,246	5,788				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	1,119	49,720	48,601				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	52,500	5,587	46,913				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	6,500	3,434	3,066				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	14,670	12,757	1,913				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	61,190	59,077	2,113				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	95,836	11,786	84,050				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	197,134	11,786	185,348				
	PROVINCIALISATION GRANT	PROVINCIALISATION GRANT	7,399,800	7,012,101	387,699				
	SPORTS AND RECREATION GRANT	SPORTS AND RECREATION GRANT	11,000,000	3,116,096	7,883,904		9,396,908		
	SPORTS AND RECREATION GRANT	SPORTS AND RECREATION GRANT	11,000,000	3,116,096	7,883,904		9,396,908		
	HOUSING: EEDS TRANSFER OF OWNERSHIP	HOUSING: EEDS TRANSFER OF OWNERSHIP	2,746,443	2,111,473	634,970		2,270,488		
	HOUSING: EEDS TRANSFER OF OWNERSHIP	HOUSING: EEDS TRANSFER OF OWNERSHIP	2,746,443	2,111,473	634,970		2,270,488	Multi year project	
	HOUSING PROJECT GRANT	HOUSING PROJECT GRANT	350,783,650	0	350,783,650		110,654,659		
	HOUSING PROJECT GRANT	HOUSING PROJECT GRANT	350,783,650	0	350,783,650		110,654,659	Multi year project	
	INDPS	INDPS	7,500,000	4,008,106	3,491,894		2,738,678		
	INDPS	INDPS	7,500,000	4,008,106	3,491,894		2,738,678		
	EDTEA GRANT: Newcastle Airport	EDTEA GRANT: Newcastle Airport	2,000,000	-	2,000,000		2,000,000	None of the bidders were registered with civil authority.	
	EDTEA GRANT: Newcastle Informal Trade Stalls Project	EDTEA GRANT: Newcastle Informal Trade Stalls Project	1,000,000	-	1,000,000		1,000,000	Bidder: National Treasury, sub-entire bids	
	EDTEA GRANT	EDTEA GRANT	3,000,000	-	3,000,000		3,000,000		

Project/Program	Account Code	Project/Program Description	Source of Funding	Total Budget	Year to Date Expenditure	Balance Unspent	Grant Register Balance	Roll-over Amount	Notes/Comments
TECHNICAL SERVICES WATER INTERVENTION PROJECT INFRASTRUCTURE CIVIL	7026100651	REFURBISHMENT OF PUMP STATION	WATER INTERVENTION GRANT	8,700,000 8,700,000	5,551,015 5,551,015	3,146,365 3,146,365	2,313,320 2,313,520	2,313,370 2,313,320	
	7071200651	NEWCASTLE EAST WATER MAINS EXTENSION	WISG GRANT	13,759,894	11,400,075	66,843			
INFRASTRUCTURE CIVIL	1024010864	DOMESTIC METERS	WISG GRANT	2,400,000	2,397,180	2,820			
	1024010489	BULK METER REPLACEMENT	WISG GRANT	17,278,434	16,609,162	557,802	2,746,628	2,746,628	
INFRASTRUCTURE CIVIL				31,388,318	32,076,114	627,465	2,746,628	2,746,628	
ENERGY EFFICIENCY AND DEMAND SITE MANAGEMENT GRANT INFRASTRUCTURE ELECTRIC & MECH	1026010223	ENERGY EFFICIENT SITE DEMAND MANAGEMENT	EEDSMS	4,000,000 4,000,000	299,264 299,264	3,656,096 3,665,076	3,656,339 3,656,339	3,656,339 3,656,339	
				437,344,878	357,353,935	379,497,499	337,861,573	187,861,573	