

**EXTRACT FROM THE COUNCIL MINUTES HELD ON 31 JANUARY 2020**

Item A36. 31.01.2020

**ADJUSTMENT BUDGET FOR 2018/2019 - 2020/2021**

CF Hoffmann: Chief Financial Officer

(Ref.: 6/1/1/1)

**PURPOSE OF REPORT**

The purpose of the report is to submit an adjustment budget for 2018/2019 to Council for consideration.

**BACKGROUND**

Some votes in the 2018/2019 budget need to be adjusted as a result of overspending of votes (unauthorised expenditure) with the finalization of the 2018/19 financial statements.

**LEGAL FRAMEWORK**

Section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

***Municipal adjustments budgets***

- 28.** (1) *A municipality may revise an approved annual budget through an adjustments budget.*
- (2) *An adjustments budget —*
- (a) *must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the budget 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 financial year preceding the budget year, where the under-spending could not reasonably have been foreseen at the time when the annual budget for the budget 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.***

Section 32(2)(a)(i) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

*“A municipality must recover unauthorised expenditure, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure*

- (a) *In the case of unauthorised expenditure, is –*  
 (i) *authorised in an adjustments budget “*

Section 23(6) of the Municipal Budget and Reporting Regulations reads as follows:

*“An adjustment budget contemplated in section 28(2)(g ) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be -*

- (a) *dealt with as part of the adjustments budget contemplated in sub-regulation (1): and*  
 (b) *a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.”*

**Comments**

Unauthorised expenditure of **R 16 424 967** has been disclosed in the 2018/2019 financial statements as follows:

Operating	-	Finance	R 1 255 341
	-	Community Services	R 9 686 498
Capital	-	<u>Community Services</u>	<u>R 5 483 128</u>
			<u>R16 424 967</u>

Items mainly responsible for the overspending on the vote / unauthorised expenditure are the following:

**Operating:**

Directorate	Item	Budget	Actual	Overspending	Reason for overspending
Finance	Loss on disposal	R 0	R 2 844 254	R 2 844 254	Insufficient budget #
Community Services	<u>Roads</u>				
	Salaries	R20 384 000	R 24 871 042	R 4 487 042	Insufficient budget – overspending financed by Prov Roads Dept.
	Rental	R2 092 857	R 4 308 328	R 2 215 471	
	Leave	R 10	R 701 602	R 701 592	
	Contr Post	R 10	R 2 109 409	R 2 109 399	
	Retire				
					Insufficient budget #

**Capital:**

Directorate	Item	Budget	Actual	Overspending	Comments
Community Services	Rehabilitation Costs	R 0	R 11 233 944	R 11 233 944	Insufficient budget #

# Non cash transactions.

**UNANIMOUSLY RESOLVED:** (Proposed by Cllr L Ntsabo and seconded by Cllr C Resandt)

The unauthorised expenditure of R 16 424 967 be authorised in terms of Section 32(2)(a)(i) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and that the 2018/19 adjustment budget was approved in terms of Section 28(2)(g) of the Local Government: Municipal Finance Management Act, 2003 and Section 23(6) of the Municipal Budget and Reporting Regulations.

**CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 31 JANUARY 2020.**



**DP BERETTI  
MUNICIPAL MANAGER**