

EXTRACT FROM THE COUNCIL MINUTES HELD ON 31 JANUARY 2020

Item A39. 31.01.2020

ADJUSTMENT BUDGET FOR 2019/2020 - 2021/2022 (REF: 6/1/1/1)

CF Hoffmann: Chief Financial Officer

PURPOSE OF REPORT

The purpose of the report is to submit an adjustment budget for 2019/20 to Council for consideration.

BACKGROUND

In terms of the MFMA an adjustment budget has to be approved by every municipality whenever it is required to address adjusted revenue expectations or expenditure adjustments

The Adjustment Budget has been compiled and is submitted to Council for consideration.

The Medium-Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules, which are compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), will be distributed prior to the Council meeting of 31 January 2020.

LEGAL FRAMEWORK

Section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Section 23 of the Municipal Budgeting and Reporting Regulations (MBRR) stipulates as follows:

Municipal adjustments budgets (MFMA)

"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. "

In addition to Section 28 of the MFMA, Section 23 of the Municipal Budgeting and Reporting Regulations states as follows:

“23. Timeframes for tabling of adjustments budgets

- (a) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time during the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.*
- (b) Only one adjustments budget referred to in sub-regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case sub-regulation (3) applies.*
- (c) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.*
- (d) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29(3) of the Act.*
- (e) 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.*
- (f) An adjustments budget contemplated in section 28(2)(G) of the Act may only authorize unauthorized expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –*
- (g) dealt with as part of the adjustments budget contemplated in sub-regulation (1); and*
- (h) 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 unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a) (i) of the Act.”*

In terms of section 54 (c) of the MFMA

- (a) “Consider and, if necessary, make any provisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of council following approval of adjustment budget.”*

COMMENTS

An adjustments budget referred to in section 28(2)(b), (d) and (f) of the MFMA will be tabled in the municipal council, together with the mid-year budget and performance assessment.

The following will be included/amended/corrected in the 2019/20 adjustment budget:

Operational Budget

- (a) The unspent grants on 30 June 2019 for the following grants have been approved by National Treasury and were included in the adjustment budget:

Financial Management Support Grant	R 229 110
Financial Management Capacity Building Grant	R 120 000
LG Graduate Internship Grant	R 26 101
Safety implementation plan Grant	R 184 995

- (b) The following additional grants which became available during the financial year, have been included in the adjustment budget:

WC Financial Management Support Grant	R 650 000
LG Internship Grant	R 80 000
CDW Operational Support Grant	R 112 000
Western Cape: Transport and Public Works (which results in additional income of agency fees)	R 3 000 000

- (c) Projected savings in one vote were allocated towards spending under another vote. The adjustment for virements during the year were made but did not impact on the total expenditure.

Capital Budget

- (a) removing the capital project "Fire Station" to the amount of R 2,9 million as properties will not be sold timely in the 2019/20 financial year to finance the project. The project will be included in the 2020/21 capital budget.
- (b) removing the capital project "Karwyderskraal" to the amount of R 6 128 111 as the adjacent property owner are not willing to sell their properties next to Karwyderskraal. A project will be included in the 2020/21 capital budget as soon as a new project has been identified.
- (c) adding the unspent grant on 30 June 2019 for the safety implementation plan to an amount of R 750 000.
- (d) adding the unspent Municipal Service Delivery and Capacity Building Grant on 30 June 2019 to an amount of R 1,7 million.
- (e) transferring of the capital project "Upgrade Bungalows" to the amount of R 120 000 to the operational budget.

ANNEXURES

- Adjustment budget Annexure "A" (Separate document)
- Revised SDBIP Annexure "B" (Separate document)

UNANIMOUSLY RESOLVED: (Proposed by Ald A Franken and seconded by Cllr S Fredericks)

- 1) The Adjustment Budget 2019/2020 – 2020/2021, with amendments was approved by Council.
- 2) The revised Service Delivery Budget Implementation Plan (SBIP) 2019/2020 with amendments, was approved by Council.

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



**DP BERETTI
MUNICIPAL MANAGER**