



EXTRACT FROM THE COUNCIL MINUTES HELD ON 22 AUGUST 2022

Item A5. 22.08.2022

ROLL-OVER ADJUSTMENT BUDGET FOR 2022/23 - 2024/2025 – AUGUST 2022

NL Kruger: Chief Financial Officer

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

PURPOSE OF REPORT

The purpose of the report is to submit a roll-over Adjustment Budget for 2022/23 to Council for consideration and approval.

BACKGROUND

When a prior financial period concludes and a new budget year commence for a municipality, it is frequent that projects and budget requirements may vary and change from the period in which the budget was approved, and project implementations was scheduled. In instances commitments for capital spending were made, but not completed, hence a carried forward approach is required.

In terms of the MFMA an adjustment budget must 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 22 August 2022.

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;*

may correct any errors in the annual budget; and

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***
- g) ***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.”***

COMMENTS

An adjustments budget referred to in section 28(2) of the MFMA will be tabled for consideration to the municipal council.

CAPITAL BUDGET

The adjustment budget amendments **only relate to the capital budget for the financial year**, due to roll-over capital projects from the prior year not fully or partially executed.

- R4 900 000 – Karwyderskraal – Infrastructure (This will be funded from the Landsite loan's outstanding balance and will be repaid by the local municipalities)
- R405 000 – Fire and Disaster Bakkie - Insurance funding (R266 850) for a previous fire vehicle written-off
- The remainder of the capital will be funded by ODM's CRR fund. These include big items such as:
 - A new fire truck for service delivery R2 100 000
 - A sewerage truck to enhance service delivery, and generate income R1 200 000
 - Security and safety perimeter improvements at Head Office R250 000
 - Generation implementation projects to continue with service delivery (loadshedding) R1 300 000 (roll-over proportionally)
 - Backup server and disaster recovery systems (off-site) for our ICT – R365 000
 - Gas installations at ablution blocks at resorts (R150 000 per resort)

All items identified are prioritised to enhance service delivery and to ensure effective, efficient and economical expenses on the day-to-day operations in the district and to enhance revenue.

Please find Capital project list attached below the item as the table indicate the original budget, the amendments, and the new proposed adjustment budget for the period.

Note*** - R650 000 for equipment for Disaster Management as funded previously funded by the Safety initiative grant (WOSA) is yet not approved to be brought forward to the new financial year, hence allocation will only be recognised in the budget after roll-over approval for the funding is obtained.

R650 000 comprise of:

- -R400 000 - Safety initiative Trailers
- -R150 000 - Surveillance Hotspot
- -R100 000 - Radio Communication

OPERATIONAL BUDGET

The Operational Budget will remain status quo for the interim.

It should be noted that adjustment will be required during the financial year, hence factors which will impact the budget, include:

- The new Organisational Structure which will have a re-alignment cost re-allocation effect as well as cost on priority appointments for the year. Savings on post will also be incorporated for the interim period.
- Own funding for projects e.g., EPWP
- Recruitment costs appointing the new Director Community Services
- TASK arbitration outcome
- Operational expenditure (costs only estimated and now known)
- Additional revenue and roll-overs granted by provincial and national government

For the interim period all expenses will be covered by the current operational budget for the 12-month period. A mid-year adjustment budget will be used to make the critical adjustment necessary to align the budget again towards the needs identified by Council to ensure more accurate budgeting and to ensure all priorities are addressed.

The schedules are included in the budget document in terms of the Municipal Budgeting and Reporting Regulations (MBRR) – see Schedule B attached.

RESOLVED : (Proposed by Ald. A Franken and seconded by Ald. J Nieuwoudt)

- 1) The roll-over Adjustment Budget 2022/23 – 2024/25 with amendments to the capital budget was considered and approved Council.
- 2) The changes (if any) to the SDBIP was considered and approved by Council.

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 22 AUGUST 2022.



**R BOSMAN
MUNICIPAL MANAGER**