



EXTRACT FROM THE COUNCIL MINUTES HELD ON 5 DECEMBER 2022

Item A32. 05.12.2022

ADJUSTMENTS BUDGET FOR 2022/2023 - 2024/2025 – DECEMBER 2022

NL Kruger: Chief Financial Officer

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

PURPOSE OF REPORT

The purpose of the report is to submit an Adjustments Budget for 2022/23 to Council for consideration.

BACKGROUND

When additional funding for projects, revenue adjustments, roll-over allocations granted and expenditure or capital projects require adjustments due to prioritisation and service delivery, the municipality must table an adjustments budget to ensure provision for these amendments within the regulated financial framework in order to ensure compliance.

In terms of the MFMA an adjustments budget must be approved by every municipality whenever it is required to address adjusted revenue expectations or expenditure adjustments. The Adjustments 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 5 December 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;*
- 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*
- (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. The following reasons triggered the cause for an adjustments budget:

CAPITAL BUDGET

The adjustments budget amendments are mainly related to:

- Capital roll-over funding being approved due to capital projects from the prior year not fully or partially executed or already committed.
- Projects being revised, added, or removed due to re-prioritisation on service delivery.
- Identifying savings or under-anticipated budgeting planning to date on projects.

The amended Total Capital Budget Projects for the 2022/2023 financial year going forward is attached to this report.

OPERATIONAL BUDGET

By reviewing the Operational budget, it was required to execute a few critical adjustments for the interim period before reaching the Mid-Year Adjustments Budget, hence justifying the adjustments budget.

Revenue amendments

- Additional funding – Department of Transport and Public Works (Roads Agency Function)
- Additional funding – Provincial Adjustment Budget gazetted 24 November 2022
- Western Cape Government Grants Roll Overs Approved for 2021/22 unspent grants
- National Treasury Grant Roll Over Approved for 2021/22 unspent grants
- Other Revenue adjustments

Expenditure adjustments

The following additional expenditure adjustments are highlighted due to the necessity:

- Additional funding for various critical areas impacting service delivery and operations.
- Additional funding received to be allocated to relevant operating expenditure recognised.

A more comprehensive analysis will be conducted during the mid-year adjustments budget; however, some adjustments were necessary to continue with normal operations as well as having adequate time to ensure projects can commence timeously within the current fiscal year.

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

The budget document and supporting documentation attached will illustrate the financial nett effect impact on the operating and capital budget.

RESOLVED : (Proposed by Ald J Niewoudt and seconded by Cllr P Stander)

- 1) The Adjustments Budget 2022/23 – 2024/25 (December 2022) with amendments, was approved by Council.
- 2) That the changes (if any) to the SDBIP, was approved by Council.

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 5 DECEMBER 2022.



**R BOSMAN
MUNICIPAL MANAGER**