



Item A64.10.06.2024

ADJUSTMENT BUDGET FOR 2023/24 - 2024/2025 – JUNE 2024

NK Kruger : Chief Financial Officer

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

PURPOSE OF REPORT

The purpose of the report is to submit an adjustment budget for 2023/24 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 adjustment budget to ensure provision for these amendments within the regulated financial framework remains compliant.

The main purpose of this adjustment budget is due to additional funding for Road's functioning services rendered to Swellendam Municipality and an amended grant roll-over letter received pertaining the loadshedding mitigation funding. This is also opportune to amend other areas to be aligned more realistically towards revenue, expenditure as well as capital projects.

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 10 June 2024.

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.

(a) (2) An adjustments budget —

(b) must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the budget year;

(c) 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;

- (d) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- (e) may authorise the utilisation of projected savings in one vote towards spending under another vote;
- (f) 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;
- (g) may correct any errors in the annual budget; and
- (h) 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 as mentioned in the item's background triggered the caused for an adjustment budget:

CAPITAL BUDGET

The adjustment budget amendments are mainly related to:

- VAT adjustment/corrections as per letter on previous roll-over funding allocated to ODM (Loadshedding Mitigation Grant).
- Identified projects to be fully or partially rolled over to the next financial year (Adjustment Budget – August 2024).
- Projects being revised, added, or removed due to re-prioritisation or amounts being reduced due to completion. – Various capital projects: See capital amendments list to follow.
- Identifying savings or under anticipated budget planning to date on projects.

The amended Total Capital Budget Projects for the 2023/2024 financial year going forward is attached to this report.

OPERATION BUDGET

By reviewing the Operational budget, it was required to execute a few critical and significant adjustments for the period before reaching the financial year-end, hence justifying the adjustment budget.

Revenue amendments

- The main reason for the adjustment budget is the grant funding that Swellendam Municipality received for Roads Maintenance work that was conducted by the Roads function to Swellendam Municipality, causing a recoverable additional revenue and project management commission received by ODM.
- The budget report will provide information on the most significant amendment necessary to align with actual and final anticipated revenue management for the fiscal year.

Expenditure adjustments

Expenditure revision while conducting the adjustment budget highlighted some amendments to be made (additional funding required, however savings predominantly). The most prominent items will also be identified in the budget document attached to this item.

The adjustments are necessary to ensure regulatory compliance and to continue with normal operations and projects in a timeous manner 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 to the current deficit budget.

RESOLVED : (Proposed by Ald.J Nieuwoudt and seconded Cllr. U Mabulu)

- 1) That the Adjustment Budget 2023/24 – 2025/26 (June 2024) with amendments was approved by Council for approval.
- 2) That the changes (if any) to the SDBIP was approved by Council.