

ADDITIONAL / AMENDMENT ALLOCATIONS - ADJUSTMENTS BUDGET

2023/2024 – 04 DECEMBER 2023

File No. /s:

Responsible Official: A Crotz

Directorate: Financial Services

Portfolio: Financial Services

Purpose:

To submit an Adjustments budget for the 2023/24 financial year as a result of amendments / adjustments to allocations from Provincial Government and Cape Winelands District Municipality during the 2023/24 financial year.

Background:

In terms of the MFMA (Section 28) the approved budget may be revised through an adjustments budget.

A. Section 28(2) further provides that; An Adjustments budget -

- Must adjust the revenue and expenditure estimates downwards if there is a material under-collection of revenue during the year;
- May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmed already budgeted for;
- May, within the prescribed framework, authorize unforeseen and unavoidable expenditure recommended by the Mayor;
- May authorize the utilization of projected savings in one vote towards spending under another vote;
- May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by council;
- May correct any errors in the annual budget, and
- May provide for any other expenditure within a prescribed framework.

Municipal Budget and Reporting Regulations further provides that;

B. Timeframes for tabling of adjustment budgets

- An adjustment budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the Municipal Council at any time after the mid-year

budget and performance assessment has been tabled in the council, but not later than 28 February of the current year;

- Only one adjustment budget referred to in sub regulations (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. If a National or provincial adjustment budget allocates or transfer additional revenue 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 adjustment budget, table an adjustment budget referred to in section 28(2) (b) of the Act in the Municipal council to appropriate these additional.

Financial Implications:

Financial implications are contained in the detail in this report.

Applicable Legislation / Council Policy:

1. The MFMA Section 28, 30 and 16(3)
2. Municipal Budget and Reporting Regulations
3. Council Budget related Policies

ADJUSTMENTS BUDGET SCHEDULE B REPORT 2023/234



BREED VALLEY
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04 DECEMBER 2023

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SECTION A – Part 1

1. Glossary

Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments.

DORA – Division of Revenue Act. The annual piece of legislation that indicate the allocations from National Government to Local Government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to assist with free basic services.

GDFI - Gross Domestic Fixed Investment

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a Municipality.

KPI – Key Performance Indicators. Measures of service output and/or outcome.

LM – Breede Valley Municipality.

MFMA - Municipal Finance Management Act (No 53 of 2003). The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level.

Operating Expenditure – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SDBIP – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of a municipality as set out in the IDP Budgeted spending must contribute towards achievement of these strategic objectives.

Vote – One of the main segments into which a budget is divided, usually at department level.

Abbreviations and Acronyms

| | |
|--------|--|
| AMR | Automated Meter Reading |
| ASGISA | Accelerated and Shared Growth Initiative |
| BPC | Budget Planning Committee |
| CBD | Central Business District |
| CFO | Chief Financial Officer |
| CPI | Consumer Price Index |
| CRRF | Capital Replacement Reserve Fund |
| DBSA | Development Bank of South Africa |
| DoRA | Division of Revenue Act |
| DWA | Department of Water Affairs |
| EE | Employment Equity |
| EEDSM | Energy Efficiency Demand Side Management |
| EM | Executive Mayor |
| FBS | Free basic services |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| GDP | Gross domestic product |
| GDS | Gauteng Growth and Development Strategy |
| GFS | Government Financial Statistics |
| GRAP | General Recognised Accounting Practice |
| HR | Human Resources |
| HSRC | Human Science Research Council |
| IDP | Integrated Development Strategy |
| IT | Information Technology |
| kℓ | kilolitre |
| km | kilometre |
| KPA | Key Performance Area |
| KPI | Key Performance Indicator |
| kWh | kilowatt-hour |
| ℓ | litre |
| LED | Local Economic Development |
| MEC | Member of the Executive Committee |
| MFMA | Municipal Financial Management Act |
| MIG | Municipal Infrastructure Grant |
| MM | Municipal Manager |
| MMC | Member of Mayoral Committee |
| MPRA | Municipal Properties Rates Act |
| MSA | Municipal Systems Act |
| MTEF | Medium-term Expenditure Framework |
| MTREF | Medium-term Revenue and Expenditure Framework |
| NERSA | National Electricity Regulator South Africa |
| NGO | Non-Governmental organisations |
| NKPIs | National Key Performance Indicators |
| OHS | Occupational Health and Safety |
| OP | Operational Plan |
| PBO | Public Benefit Organisations |
| PHC | Provincial Health Care |
| PMS | Performance Management System |
| PPE | Property Plant and Equipment |
| PPP | Public Private Partnership |
| PTIS | Public Transport Infrastructure System |

| | |
|-------|---|
| RG | Restructuring Grant |
| RSC | Regional Services Council |
| SALGA | South African Local Government Association |
| SAPS | South African Police Service |
| SDBIP | Service Delivery Budget Implementation Plan |
| SMME | Small Micro and Medium Enterprises |

2. Mayors Report

The allocations made to the Breede Valley Municipality were further amended from the allocations as published and approved with the compilation of the 2023/24 Original Budget. Provincial Government and Cape Winelands District Municipality (CWDM) had the following amendments to the allocations of Breede Valley Municipality:

- Municipal Infrastructure Grant: (R2 716 000.00)
- Expanded Public Works Programme Integrated Grant for Municipalities: (R283 000.00)
- Municipal Service Delivery and Capacity-building Grant: R500 000.00
- Cape Winelands District Municipality (CWDM): R126 000.00

All conditional grants / funds allocated and transferred to the Breede Valley Municipality has specific conditions in terms of the timeframes and the type of spending to be incurred by the municipality during the 2023/24 financial year.

We as a municipality will continuously strive to successfully implement all projects, especially the projects funded from external sources such as grants. These projects add great value given the challenging economic environment faced by municipalities to ultimately deliver better services within the Breede Valley Municipality.

3. Resolutions

That council approves the following:

- (a) To approve the adjustments budget as tabled in terms of section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).
- (b) The recommendations with regard to resolutions are contained at the end of this report and have been prepared and presented according to the budget regulations.

4. Executive Summary

The 2023/24 budget of Breede Valley Municipality is adjusted to accommodate the amendments from Provincial Government and Cape Winelands District Municipality.

The additional / amended allocations relate to the following grants:

| NAME OF GRANT | Amount |
|--|------------------------|
| Municipal Infrastructure Grant: De Doorns Water Purification Works: Augmentation of DAF Unit (MIG funding) | (R2 716 000.00) |
| Expanded Public Works Programme Integrated Grant for Municipalities: Personnel and Labour | (R283 000.00) |
| Municipal Service Delivery and Capacity-building Grant: Replacement of Water Meters | R500 000.00 |
| Cape Winelands District Municipality: Community Safety | R126 000.00 |

The 2023/24 Adjustments Budget was compiled in accordance with section 28 of the Municipal Finance Management Act and regulation 23 of the Municipal Budget and Reporting Regulations.

In compiling the 2023/24 Adjustments Budget, the importance of credibility, sustainability, responsiveness and affordability remains integral in striving to achieve the desired outcome of effective and efficient service delivery.

1. Adjustments Budget Tables – Please refer to Annexure A

B1 Consolidated Adjustments Budget Summary

The table above is a budget summary and provides a concise overview of Breede Valley Municipality's budget from all the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

B2 Consolidated Adjustments Budget Financial Performance by Standard Classification

Table B2 above is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The GFS standard classification divides the municipal services into 15 functional areas.

Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table B4.

B3 Consolidated Adjustments Budget Financial Performance by Municipal Vote

Table B3 above is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure Breede Valley Municipality. This means it is possible to present the operating surplus or deficit of a vote.

B4 Consolidated Adjustments Budget Financial Performance (Revenue and Expenditure)

Table B4 above is a view of the budgeted financial performance in relation to the revenue by source and expenditure by type.

B5 Consolidated Adjustments Budget Capital Expenditure Vote and Funding

Table B5 is a breakdown of the capital programmed in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments

B6 Consolidated Adjustments Budget Financial Position

Table B6 is consistent with international standards of good financial management practice and assist stakeholders in understanding the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

B7 Consolidated Adjustments Budget Cash Flows

The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

B8 Consolidated Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

B9 Consolidated Asset Management

Table B9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

B10 Consolidated Basic Service Delivery Measurement

Table B10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

SECTION A – Part 2

1. Adjustments to Budget Inputs and assumptions

The 2023/24 Adjustments Budget was compiled in line with Chapter 4 Municipal Finance Management Act and Chapter 2 Part 4 of the Municipal Budget and Reporting Regulations.

The 2023/24 Adjustments Budget remain consistent with the Long-Term Financial Plan to ensure continued synergy between long term planning and implementation planning.

The operational budget is adjusted in order to accommodate the amendments to allocations mentioned in this report. Please refer to table B4 and SB8 for all related amendments

2. Adjustments to Budget Funding

Budget funding in terms of operating and capital expenditure is set out on table B4.

3. Adjustments to Expenditure on Allocations and Grant

Detailed particulars of budgeted allocations and grants can be found on SB8.

Please refer to table SB8

4. Adjustment to Allocations or Grants made by the Municipality

None.

5. Adjustment to Councillor Allowances and Employees

The changes to councillor allowances and employee related cost is provided on table B4.

6. Adjustment to Service Delivery and Budget

The monthly targets for revenue, expenditure and cash flows are provided in B10 - Section B Supporting Tables.

7. Adjustment to Capital Spending Detail

Information/detail regarding capital projects by vote is provided in Section B – Capital Budget, read with B5, B5B, SB16, SB17, SB18a, SB18b, SB18e and SB19.

8. Other Supporting Documents

- National treasury electronic revised budget report, SB1-SB20 as **Annexure A**
- Signed quality certificate as **Annexure B**
- Provincial Gazette No 8835, 6 October 2023 **Annexure C**
- Cape Winelands District Municipality Allocation Letter **Annexure D**
- Government Gazette No. 49550 of 24 October 2023) **Annexure E**

Comment of Directorates / Departments concerned:

| | |
|---------------------------------------|--------------------------|
| Municipal Manager: | Recommendation Supported |
| Director: Strategic Support Services: | Recommendation Supported |
| Director: Financial Services: | Recommendation Supported |
| Director: Engineering Services: | Recommendation Supported |
| Director: Community Services: | Recommendation Supported |

RECOMMENDATION:

That in respect of Adjustments budget for 2023/24 – December 2023

Discussed by Council at the Council meeting held on 04 December 2023

- 1. Council resolves that the Adjustment Budget of Breede Valley Municipality for the financial year 2023/24 be adjusted and approved with amendments as set out in the following.**
 - a. Municipal Budget tables B1- B10**
 - b. Municipal Budget supporting documentation SB1 - SB19**