

## **6.1 MID-YEAR ADJUSTMENTS BUDGET – FEBRUARY 2020**

**The Executive Mayor tabled the Mid-Year Adjustments Budget – February 2020 before Council for approval.**

**File No. /s:** 3/2/2/19

**Responsible Official:** R Ontong

**Directorate:** Financial Services

**Portfolio:** Financial Services

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### **1. Purpose**

This serves to submit an adjustments budget for the 2019/20 financial year:

- Adjust revenue and expenditure projections after the half yearly performance (section 72 report).
- Adjust the capital program to provide for amendments to current projects, new projects to be implemented and to remove / postpone projects that will not be implemented in the 2019/20 financial year.
- Include approved unspent conditional grants of 2017/18 financial year from National and / or Provincial Government.

### **2. 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 adjustments budgets

- 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 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 adjustments 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 adjustments budgets 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 adjustments budget, table an adjustments budget referred to in section 28(2) (b) of the Act in the Municipal council to appropriate these additional.

### **3. Financial Implications:**

Financial implications are contained in the detail in this report.

### **4. Applicable Legislation / Council Policy:**

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

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# **ADJUSTMENTS BUDGET - SCHEDULE B REPORT 25 FEBRUARY 2020**

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# BREED VALLEY

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## **Adjustments Budget of the Municipality**

Prepared in terms of Section 28 of the Local Government:  
Municipal Finance Management Act (56/2003) and  
Municipal Budget and Reporting Regulations

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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 recognized 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 Breede Valley Municipality remains committed to the cause of bringing respectable services to all households. We as a municipality acknowledge the fact that households are faced with numerous difficulties, ranging from social to economic challenges. We view our role in addressing these challenges are integral to improve quality of life and will therefor continue to play part in creating a conducive environment for job creation and social upliftment. It should be taken to heart that not all plans made will be completed within the timeframes, but we as a municipality is committed in ensuring that all projects commenced are completed.

This adjustments budget serves the purpose of reflecting on the past six months of the 2019/20 financial year, and to address the areas within the budget that is not performing as planned. In addition, this adjustments budget will also approve unspent conditional grant funds of previous financial year that have since been approved by the National and Provincial government.

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.

Breede Valley municipality has made significant progress in fighting service delivery backlogs, but also acknowledges that there is still a lot to be done. We will continue with the good work and improve wherever improvement is needed to ensure that this municipality improve on the quality of life for the people within Breede Valley municipal area.

### **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 regarding resolutions are contained at the end of this report and have been prepared and presented according to the budget regulations.

#### **4. Executive Summary**

The Mid-year Adjustments Budget serves to address any budget amendment that require the approval of council. These amendments are imperative to service delivery as unforeseen challenges can attended to and accelerated implementation can be facilitated.

The current economic climate of the Breede Valley Municipal area forced the municipality to relook at resource allocation to promote the optimal utilization of available resources.

The Mid-year Adjustments Budget includes provincial rollovers from the 2018/19 financial year amounting to the following per grant:

- Financial Management Capacity Building Grant: R360 000.00;
- Western Cape Financial Management Support Grant: R1 000 000.00;
- Regional Socio-economic project / violence prevention through urban upgrading (RSEP/VPUU): R1 067 224.97;
- Human Settlements Development Grant: R9 971 709.73

#### **5. Adjustments Budget Tables – refer to Annexure A**

##### **B1 Consolidated Adjustments Budget Summary**

The table 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 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.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the Total Revenue, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

## **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**

- **Adjustments to Budget Inputs and assumptions**

The 2019/2020 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 2019/20 Budget remain consistent with the Long-Term Financial Plan to ensure continued synergy between long term planning and implementation planning.

Revenue and Expenditure (operational and capital) projections to be revised in line with current and anticipated performance for the current year.

Addition of approved rollover grant allocations from the 2018/19 financial year.

Decrease in general expenditure to curb and eliminate non-priority spending

Inclusion of additional funding from Cape Winelands District Municipality.

### **1. Operational Revenue**

Operational revenue and amendments made with the Adjustments Budget is informed by the performance trends over the past six months.

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Fines revenue is adjusted according to the anticipated revenue to be generated.

Transfers subsidies (operational and capital) increased with the rollover grant allocations from the 2018/19 financial year.

## **2. Operational Expenditure**

The decrease noted in employee related cost is reflective of the savings realized due to vacancies being filled later than the start of the financial year. This implies that the salary budget is sufficient to carry personnel expenditure for the remainder of the financial year.

Debt Impairment is adjusted as per B4 to accommodate the anticipated movement in the provision as calculated at the end of January 2020. This relates mainly to traffic fines, and to a lesser extent to service debtor accounts. Current and improved credit control and debt collection mechanisms and strategies are in place in order to minimize the risk over unauthorized expenditure on the 2019/20 contribution towards the provision for debt impairment.

### **Significant additional Operating Expenditure requirements:**

- EPWP Projects: R3 500 000.00
- Maintenance of Cache Equipment: R120 000.00
- Zwelethemba Community Project (CWDM funding): R100 000.00

## **Capital Expenditure**

### **Significant amendments to the capital budget:**

The following projects / part thereof have been removed from the 2019/20 budget and will be allocated to the 2020/21 budget:

- Cherry Picker Vehicles – Elec
- Quality of supply data loggers and monitoring equipment.
- Zweletemba - New Swimming Bath
- Esselen Park - Replacement of fence perimeter
- Municipal Court project
- Town Hall Air conditioner

#### **Other amendments to the capital budget:**

The municipality placed a strong emphasis on the Reseal of Municipal Roads projects as numerous savings / underspending on various projects were moved to the Reseal of Municipal Roads projects across the municipality to address this infrastructure need.

The projects funding this additional capacity will be reconsidered / re-financed during the 2020/21 budget process and financed from available / re-prioritized funding.

## **2. Adjustments to Budget Funding**

Budget funding in terms of operating and capital expenditure is set out on tables B4 and B5.

## **3. Adjustments to Expenditure on Allocations and Grant**

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

## **4. Adjustment to Allocations or Grants made by the Municipality**

None.

## **5. Adjustment to Councilor Allowances and Employees**

The changes to councilor 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-SB19 as **Annexure A**
- Signed quality certificate as **Annexure B**

### **Comment of Directorates / Departments concerned:**

Municipal Manager:	Recommendation Supported
Director: Strategic Support Services:	Recommendation Supported
Director: Financial Services:	Recommendation Supported
Director: Technical Services:	Recommendation Supported
Director: Community Services:	Recommendation Supported

**Cllr I. Tshabile requested a caucus of 10 minutes.**

**Caucas started at 10:25**

**Meeting reconvened: 10:40.**

### **RECOMMENDATION:**

That in respect of

**ADJUSTMENTS BUDGET FOR THE FINANCIAL YEAR 2019/20**

Discussed by Council at the Council meeting held on 25 February 2020

1. Council resolves that the budget of Breede Valley Municipality for the financial year 2019 be adjusted and approved with amendments as set out in the following Municipal Budget tables B1- B10 and Municipal Budget supporting documentation SB1 - SB19.
2. Council resolves that the Detailed Project Implementation Plan (DPIP) relating to the Municipal Infrastructure Grant (MIG) be revised as per approved budget.

**PROPOSED: ALDERMAN A. STEYN**

**SECONDED: CLLR W.R. MEIRING**

**VOTES IN FAVOUR OF RECOMMENDATION: 21**

**RESOLVED**

**C13/2020**

That in respect of

**ADJUSTMENTS BUDGET FOR THE FINANCIAL YEAR 2019/20**

Discussed by Council at the Council meeting held on 25 February 2020

1. Council resolves that the budget of Breede Valley Municipality for the financial year 2019 be adjusted and approved with amendments as set out in the following Municipal Budget tables B1- B10 and Municipal Budget supporting documentation SB1 - SB19.
2. Council resolves that the Detailed Project Implementation Plan (DPIP) relating to the Municipal Infrastructure Grant (MIG) be revised as per approved budget.

**To Action**

R. Ontong