

The Executive Mayor tabled the Roll Over from 2016/2017 Financial Year-Adjustments Budget 2017/2018 23 August 2017 before Council for approval.

## **6.1 ROLL OVER FROM 2016/2017 FINANCIAL YEAR - ADJUSTMENTS BUDGET 2017/2018 23 AUGUST 2017**

**File No. /s:** 3/2/2/15

**Responsible Official:** R Ontong

**Directorate:** Financial Services

**Portfolio:** Financial Services

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### **1. Purpose**

To submit an Adjustments budget for the 2017/2018 financial year as a result of roll-overs from the 2016/2017 financial year.

### **2. Background**

Section 28 (2) (e) of the MFMA states the following: An Adjustments Budget – “may authorise 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 the council;

In terms of the Budget and reporting regulations, Regulation 23(5) on Government Gazette No: 32142, Notice No: 393 of 2009 states; An adjustments budget referred to in section 28(2) (e) of the MFMA 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 roll-overs relate.

Further, section 30 of the MFMA states that; “The appropriation of funds in an annual or adjustments budget lapses to the extent that those funds are unspent at the end of the financial year to which the budget relates, except in the case of an appropriation for expenditure made for a period longer than that financial year in terms of section 16 (3).” Conditional grant funding must also be rolled-over or refunded to the allocating authority.

The roll-overs referred to, relate only to own funding. MFMA circular 72 paragraph 6.6 dictates the process for Grant Funding roll-overs.

“Municipalities may not rollover unspent conditional grant spending in terms of section 28(2) (e) of the MFMA (read together with regulation 23(5) of the Municipal Budget and Reporting Regulations) because they are national/provincial funds. The applicable rollover process is then given effect through the municipal adjustments budget in January/February each year for all the cash/transfers that had already been transferred to the bank accounts of municipalities prior to the end of the financial year. In this regard refer to MFMA Budget Circular No. 51 for more information.

Section 21 of the 2013 Division of Revenue Act requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.”

### **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

# BREEDER VALLEY

Municipality

Munisipaliteit

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WORCESTER ▾ RAWSONVILLE ▾ DE DOORNS ▾ TOUWS RIVER

ADJUSTMENTS BUDGET

## Tabled in Council on 23 August 2017

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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.

## 2. Mayors Report

The 2017/18 roll-over Adjustment Budget serves the purpose of allocating unspent and underspent funds, which are committed to identifiable projects in the 2017/18 financial

year budget. These projects, due to unforeseen circumstances could not be implemented during the 2016/17 financial year, and therefor need to be rolled over to the current (2017/18) financial year to ensure continued service delivery.

### 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 2017/18 Adjustment 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 2016/2017 roll-over 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.

The table below contains a list of projects to be rolled over from the 2016/17 financial year to the 2017/18 financial year:

Municipal Vote/Capital project	Program/Project description	Medium Term Revenue and Expenditure Framework		
		Budget Year 2017/18		
		Original Budget	Adjustment (Rollover)	Adjusted Budget
<b>R thousand</b>				
<b>Parent municipality:</b>				
	<b><u>Technical Services</u></b>			
	Worcester WwTW			
Technical Services	Beltpresses ( 3 of plus 1 standby)	–	9 711	9 711
			–	
	Surfacing of Roads		–	
Technical Services	Breede Valley : Roads	3 000	281	3 281
Technical Services	Paving of Municipal Roads	–	204	204
Technical Services	Zweletemba IDT Roads	–	1 438	1 438

			-	
	Networks		-	
Technical Services	Replacement of Water Network	1 750	3 268	5 018
Technical Services	Replacement of Sewer Network	5 000	1 068	6 068
Technical Services	Upgrading of Storm Water Network - All Wards	-	511	511
			-	
	<b><u>Municipal Manager</u></b>		-	
Municipal Manager	Containerised community facility		599	599
			-	
	<b><u>Community Services</u></b>		-	
	Mun Offices Rawsonville(3927)		-	
Community Services	Upgrading for canteen		41	41
	Fire Dept Admin - 4203		-	
Community Services	Completion of De Doorns Fire Station	2 500	1 477	3 977
			-	
	<b><u>Council and Mayco</u></b>		-	
	<b><u>Mayoral Office</u></b>		-	
Council	Furniture & Equipment	5	3	8
		12 255	18 600	30 855

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

B1 Consolidated Adjustments Budget Summary

B2 Consolidated Adjustments Budget Financial Performance  
By Standard Classification

B3 Consolidated Adjustments Budget Financial Performance  
By Municipal Vote

B4 Consolidated Adjustments Budget Financial Performance  
(Revenue and Expenditure)

B5 Consolidated Adjustments Budget Capital Expenditure  
Vote and Funding

B6 Consolidated Adjustments Budget Financial Position

B7 Consolidated Adjustments Budget Cash Flows

B8 Consolidated Cash Backed Reserves/Accumulated Surplus  
Reconciliation



B9 Consolidated Asset Management

B10 Consolidated Basic Service Delivery Measurement

## SECTION A – Part 2

### 1. Adjustments to Budget Inputs and assumptions

The 2017/2018 roll-over 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 2017/18 roll-over Adjustments Budget remain consistent with the Long Term Financial Plan to ensure continued synergy between long term planning and implementation planning.

As per the legislative prescript mentioned above, these underspending was not foreseen during the compilation of the 2017/18 annual budget. Only projects committed to identifiable projects as at the end of the 2016/17 financial year are included in the roll-over Adjustments Budget, unless determined otherwise by the Accounting Officer / Municipal Manager based on the merits of these related projects.

The roll-over of the abovementioned projects came about as a result of delays outside the control of the Municipality. The causes of these delays have been established and corrective measures have been put in place to monitor progress, which will promote effective and efficient implementation in the 2017/18 financial year. The most common reasons for underspending are as follow:

- Cancellation of tender by the successful bidder;
- Objections raised by unsuccessful bidders;
- Availability of contractors; and
- Construction and import delays.

## 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 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 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:	Recommendation Supported
Director: Community Services:	Recommendation Supported

## **RECOMMENDATION**

**That in respect of Adjustments budget for 2017/18 – August 2017**

**Discussed by Council at the Council meeting held on 23 August 2017**

- 1. Council resolves that the budget of Breede Valley Municipality for the financial year 2017/18 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**

**PROPOSED: CLLR A. STEYN**

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

22 Councillors voted in favour of the recommendation.

## **RESOLVED**

**C67/2017**

**That in respect of Adjustments budget for 2017/18 – August 2017**

**Discussed by Council at the Council meeting held on 23 August 2017**

- 1. Council resolves that the budget of Breede Valley Municipality for the financial year 2017/18 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**