

## 6.3 MID-YEAR ADJUSTMENT BUDGET – FEBRUARY 2018

File No. /s: 3/2/2/17  
Ontong

Responsible Official: R

Directorate: Financial Services

Portfolio: Financial Services

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### 1. Purpose

This serves to submit an adjustments budget for the 2017/18 financial year to:

- Adjust revenue and expenditure projections after the half yearly performance (section 72 report);
- Adjust the capital programme to provide for amendments to current projects, new projects to be implemented and to remove / postpone projects that will not be implemented in the 2017/18 financial year.
- Adjust the funding sources in the capital programme to align with the useful lives of assets; and
- Include approved unspent conditional grants of 2016/17 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 programmes 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.

**3. Financial Implications**

Financial implications are contained in the detail in this report.

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

The MFMA Section 28  
 Budget regulations 23(3)  
 Council budget related policies

# BREEDER VALLEY

Municipality    Munisipaliteit    U Masipala wase



## ADJUSTMENT BUDGET

Tabled in Council on 27 February 2018

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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 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 adjustment budget serves the purpose of reflecting on the past six months of the 2017/18 financial year, and to address the areas within the budget that is not performing as planned. In addition, this adjustment 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).

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

The approved original budget for the 2017/18 financial year amounted to R1 175 048 975 of which R965 095 072 related to operating expenditure and R209 953 903 to capital expenditure. This 2017/18 budget was amended prior to the current amendments to cater for unspent / underspent capital projects rolled over from the 2017/18 financial year to the current financial year and the other amendments was to accommodate additional funding.

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.

#### **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 amendments to operating revenue as per table B4 was based on the performance over the first six months of the financial year, and also the anticipated results over the remainder of the financial year.

Amendments to the operating and capital expenditure budget as reflected in the relevant tables (B4 and B5) below was made via budget transfers where directorates had relevant funds available to be transferred to other operational expenditures. Any additional requests which could not be financed by relevant internal savings within a directorate was facilitated via a prioritization process in consultation with all directors.

#### **Operating Revenue**

Operational revenue and amendments made with the Adjustment Budget is informed by the performance trends over the past six months. A significant decrease in electricity revenue is made due to users making use of alternative energy sources.

Other amendment to the Adjustment Budget include structural changes in order to better align revenue to the mSCOA structure.

#### **Operating Expenditure**

The decrease noted in employee related cost is reflective of the savings realised 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.

The decrease in Councillor Remuneration is reflective of the alignment of the budget to the latest gazette issued on the upper limits of councillors.

Debt Impairment increased as per the above table to accommodate for the anticipated shortfall in the provision as calculated at the end of January 2018. This increased



contribution mainly relates to fines, and to a lesser extent. Current credit control and debt collection mechanisms and strategies are in place in order to minimise the risk over unauthorised expenditure on the 2017/18 contribution towards the provision for debt impairment.

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

The following significant amendments / amendments were incorporated:

- Fire Services:
  - Salaries EPWP (own funds): R250 000;
  
- Community Development
  - Remuneration to Ward Committees: - R2 300 000.00
  
- Traffic
  - Security Services: R2 000 000.00
  
- Bowling Green
  - Repair and Maintenance of roof: R200 000.00
  
- Council:
  - BVM Learnership – Bursaries: R1 200 000.00
  
- Financial Planning
  - Professional Services: R1 100 000.00
  
- Revenue
  - Meter Reading - contractors: R500 000.00
  
- Municipal Manager
  - APL - violence prevention: R50 000.00
  
- Human Resources
  - Long service awards: R120 000.00
  
- Kleinplasiae
  - Repair and Maintenance – Fence: R400 000.00

- Bulk Purchases
  - Electricity: -R10 000 000.00. This decrease in bulk purchases is also taken into consideration with the electricity revenue of the municipality.

## **Capital Expenditure**

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

The following significant additions was incorporated:

- Completion of De Doorns Fire Station: -R562 000.00
- Computer Hardware (Libraries) – Donated asset: R180 635.00
- Furniture and Equipment (Traffic): -R113 000.00
- Municipal Court Air conditioners (Traffic): -R100 000.00
- Upgrading of building - Municipal Court (Traffic): -R1 000 000.00
- Swimming pool pump & Basket Room projects: -R1 000 000.00. Amount to be moved to 2018/19 financial year.
- Fence of Jukskei ground: R150 000.00
- Upgrading of Council offices: R70 000.00
- Safeguarding of asset: R250 000.00
- Meter reading software: R250 000.00
- Acquisition of Building: R20 175 500.00
- Vehicles: R1 400 000.00
- Reseal of Roads: R4 500 000.00
- Chipper: R720 307.00
- High Mast Lights: -R1 500 000.00. Amount to be moved to the 2018/19 financial year.
- Boreholes (De Doorns and Touwsrivier) – donated asset: R1800 000.00. Gift of the Givers.

### **Other amendments / adjustments**

- R16 855 446.00 in relation to the Human Settlements Development Grant moved from the operating to capital budget (storm water, water, roads and sewer reticulation).
- R20 200 000.00 in relation to the Human Settlements Development Grant moved from the capital budget (New Sewer Pump Station & Rising Main) to the operating budget. This amendment is based on the implementation plans up until the end of the 2017/18 financial year.

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

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

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

None

### **4. Adjustment to Councillor Allowances and Employees**

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

### **5. Adjustment to Service Delivery and Budget**

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

### **6. 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

### **7. Other Supporting Documents**

1. National treasury electronic revised budget report, SB1-SB19 as **Annexure A**
2. Signed quality certificate as **Annexure B**
3. The detail Capital budget per line item including expenditure as at January 2018 is attached as **Annexure C**.

**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**

The DA requested a caucus of 10 minutes.

Caucus started at 14:40

Meeting reconvened at 14:50.

**RECOMMENDATION:**

**That in respect of Adjustments budget for 2017/18 – February 2018**

**Discussed by Council at the Council meeting held on 27 February 2018**

- **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 Municipal Budget tables B1- B10 and Municipal Budget supporting documentation SB1 - SB19.**
- **Council resolves that the Detailed Project Implementation Plan (DPIP) relating to the Municipal Infrastructure Grant (MIG) be revised as per approved budget.**

**PROPOSED: CLLR N. NEL**

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

**Counter proposal by Cllr C Wilskut: That the tabled budget be approved subject to the following addition: That R1m be made available for violent prevention initiatives in Ward 2 (Stofland), Riverview, Avianpark en Zwelethemba.**

**Seconded by: Cllr NJ Wullschleger**

**Votes in favour of Cllr Nel's proposal: 21**

**Votes in favour of Cllr Wilskut's proposal: 15**

**The following Councillors voted against the recommendation:**

**Cllr M.N. Bushwana**

**Cllr E.N. Isaacs**

**Cllr C. Ismail**  
**Cllr N. Ismail**  
**Cllr P.B. Langata**  
**Cllr Z.M Mangali**  
**Cllr T. Maridi**  
**Cllr J. Robinson**  
**Cllr S.M. Mkhwane**  
**Cllr C.M. Mohobo**  
**Cllr I.L. Thsabile**  
**Cllr P. Tyira**  
**Cllr N. P. Williams**  
**Cllr M.T. Williams**  
**Cllr C.F, Wilskut**  
**Cllr N.J. Wullschelger**

**RESOLVED**

**C10/2018**

**That in respect of Adjustments budget for 2017/18 – February 2018**

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- **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 Municipal Budget tables B1- B10 and Municipal Budget supporting documentation SB1 - SB19.**
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