

## **6. CONSIDERATION OF AGENDA ITEMS**

### **6.1 ROLL OVER FROM 2018/2019 FINANCIAL YEAR - ADJUSTMENTS BUDGET 2019/2020 - 20 AUGUST 2019**

**The Executive Mayor tabled the Roll Over from 2018/2019 Financial Year- Adjustments Budget 2019/2020 before Council for approval.**

**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 2019/2020 financial year as a result of roll-overs from the 2018/2019 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.

“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

# ROLLOVER ADJUSTMENTS BUDGET 2019/20



**BREED VALLEY**

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

**20 August 2019**

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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 2019/20 roll-over Adjustments Budget serves the purpose of allocating unspent and underspent funds, which are committed to identifiable projects in the 2019/20 financial year budget. These projects, due to unforeseen circumstances could not be fully implemented during the 2018/19 financial year, and therefore need to be rolled over to the current (2019/20) 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 2019/20 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 2019/2020 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.



Below is the list of projects to be rolled over from the 2018/19 financial year to the 2019/20 financial year:

**4.1 Reservoir, supply pipeline and augmentation of pumpstation (MIG Counter funding): R1 522 034.00**

The rollover is due to delays caused by the collapse of the Langerug reservoir roof in January 2019. Project is anticipated to be completed towards the end of 2019.

**4.2 Sewer pumpstation and rising main (MIG Counter funding): R100 000.00**

The R100 000 rollover amount relates to the operational trail period for this project which is delayed due to late commencement of the implementation of the top structures at Transhex. This operational trail period can only commence once there is a sewer flow and is therefore anticipated to commence early in 2020.

**4.3 Durban street. - Replace overhead network to underground network complete.: R748 726.00**

The rollover is as a result of delays experienced due to availability of material. Project to be completed at the end of 2019.

**4.4 Escape stairs and blinding at electrical new offices: R161 793.00**

The rollover is due to quotations received for the project being above the R200 000 threshold. The municipality is currently in the process of redesigning the staircase and request quotations thereafter.

**4.5 Replace 11 Kv cable from Mumosa to Voortrekkerweg (1 500 m @ 185 mm AI PILC): R1 000 000.00**

The rollover is as a result of delays experienced due to availability of material. Project to be completed at the end of 2019.

**4.6 Replace 11 Kv cable from Mc Allistor to Field Sub (1 600 m @ 185 mm AI PILC): R4 484 301.00**

The rollover is as a result of delays experienced due to availability of material. Project to be completed at the end of 2019.

**4.7 Tractors (x2) replacement Parks: R800 000.00**

This request for rollover is due to no responsive bidders during the first round of advertisement. The tender was subsequently re-advertised, and the municipality is currently in the evaluation stage.

#### **4.8 Upgrade Library (Waterloo Library): R300 104.00**

The rollover amount is funding committed towards the finalisation of the abovementioned project in line with the tender awarded. The Library is in the final stages of completion.

#### **4.9 Airconditioner (ICT): R150 000.00**

The rollover amount is due to payments withheld due to poor work performance. All issues / concerns are currently in the process of being resolved and the supplier will be paid in September 2019, subject to acceptable quality of work.

#### **4.10 Wi Fi Access Points: R750 000.00**

The municipality went out on tender the bid for this project and subsequently discovered that the items as per the specifications are to be discontinued and to be replaced with an enhanced version. This forced the municipality to cancel the tender and revise the specifications in line with the latest market availability / offering. The tender was then re-advertised and is currently in the evaluation stage.

#### **4.11 Resealing of Municipal Roads – Worcester: R2 234 000.00**

The rollover represents commitments in terms of the existing contract with the contractor for reseal of roads that could not be finalised during the 2018/19 financial year. It should be noted that adverse weather conditions experienced in recent months negatively affected the implementation of this project.

## **1. 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 2019/2020 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 2019/20 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 2019/20 annual budget. Only projects committed to identifiable projects as at the end of the 2019/20 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 2019/20 financial year.

## **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, 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**

### **RECOMMENDATION:**

That in respect of

### **ADJUSTMENTS BUDGET FOR 2019/20 – AUGUST 2019**

Discussed by Council at the Council meeting held on 20 August 2019:

1. **Council resolves that the rollover Adjustment Budget of Breede Valley Municipality for the financial year 2019/20 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: ALDERMAN A. STEYN**

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

**VOTES IN FAVOUR OF RECOMMENDATION: 23**

**THE FOLLOWING COUNCILLORS(ANC) REQUESTED THAT THEIR VOTES BE RECORDED AGAINST THE RESOLUTION AND ABSTAINED FROM VOTING CITING UNHAPPINESS WITH THE SPENDING OF THE BUDGET (LACK OF SERVICE DELIVERY):**

**CLLR M.N. BUSHWANA**

**CLLR E.N. ISAACS**

**CLLR P.B. LANGATA**

**CLLR Z.M. MANGALI**

**CLLR T. MARIDI**

**CLLR T. MCTHOMAS**

**CLLR S.M. MKHIWANE**

**CLLR C.M. MOHOBO**

**CLLR I.L. TSHABILE**

**CLLR P. TYIRA**

**CLLR N.P. WILLIAMS**

**CLLR M.T. WILLIAMS**

**RESOLVED**

**C64/2019**

That in respect of

**ADJUSTMENTS BUDGET FOR 2019/20 – AUGUST 2019**

Discussed by Council at the Council meeting held on 20 August 2019:

- 1. Council resolves that the rollover Adjustment Budget of Breede Valley Municipality for the financial year 2019/20 be adjusted and approved with amendments as set out in the following;**
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  - b. Municipal Budget supporting documentation SB1 - SB19**