

6. CONSIDERATION OF AGENDA ITEMS

The Executive Mayor tabled the Roll Over from 2017/2018 Financial Year-Adjustments Budget 2018/2019 23 August 2018 before Council for approval.

6.1 ROLL OVER FROM 2017/2018 FINANCIAL YEAR - ADJUSTMENTS BUDGET 2018/2019 23 AUGUST 2018

File No. /s:3/2/2/15
Directorate: Financial Services

Responsible Official: R Ontong
Portfolio: Financial Services

1. Purpose

To submit an Adjustments budget for the 2018/2019 financial year as a result of roll-overs from the 2017/2018 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 internal funding, with the exception of Human Settlements Development Grant. MFMA circular 72 paragraph 6.6 dictates the process for all other 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

U Masipala wase



WORCESTER ▾ RAWSONVILLE ▾ DE DOORNS ▾ TOUWS RIVER

ADJUSTMENTS BUDGET

Tabled in Council on 23 August 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 2018/19 roll-over Adjustment Budget serves the purpose of allocating unspent and underspent funds, which are committed to identifiable projects in the 2018/19 financial year budget. These projects, due to unforeseen circumstances could not be fully implemented during the 2017/18 financial year, and therefore need to be rolled over to the current (2018/19) 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 2018/19 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 2018/2019 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 2017/18 financial year to the 2018/19 financial year:

- **Beltpresses:** Contract BV 528 awarded to Inenzo Water. Due Completion dated October 2017. TOP end February 2019.
 - o **Rollover Amount:** R349 845

- **New Sewer Pump Station & Rising Main:** WSP appointed for the design and project management. BID BV 596 awarded to East Coast Irrigation on 30 November 2017.
 - o **Rollover Amount:** R1 641 611

- **Reservoir, supply pipeline and augmentation of pumpstation:** Environmental Authorisation received 25 October 2016. Contract BV 435 for Professional Services awarded on 18 November 2016 for the design, tender, contract administration and site supervision. Contract BV 592, awarded to JVZ for the construction of water supply pipeline. Award of Contract BV 593: Construction of 20 Ml Reservoir is awarded to Murray & Dickson.
 - o **Rollover Amount:** R7 793 296

- **Replace 11 Kv cable from Mumosa to Voortrekkerweg (1 500 m @ 185 mm Al PILC):** Works to be completed during 2018/2019 financial year. Cable procured via the municipal stores during the 2017/18 financial year and further implementation will be handled by internal staff of the municipality.
 - o **Rollover Amount:** R3 383 958

- **Replacement of Sewer Network:** Contract BV 575 completed by PR Civils. BV 684: Sewer replacement through trenchless technology [cured-in-place-pipe (CIPP)] in Roodewal and Zwelethemba and Worcester. BV 691: Sewer Replacement in Roodewal and Zwelethemba, Worcester awarded during April 2018. This is a multi-year project.
 - o **Rollover Amount:** R321 713

- **Replace 11 Kv cable from Mc Allistor to Field Sub (1 600 m @ 185 mm Al PILC):** Works to be completed during 2018/2019 financial year. Cable procured via the municipal stores during the 2017/18 financial year and further implementation will be handled by internal staff of the municipality.
 - o **Rollover Amount:** R4 730 299

- **Fencing of Electrical Boxes (ward 9, 11, 13, 14 and 15):** BID BV 655 awarded to Hyman Masterfence. Works to be completed end of August 2018.
 - o **Rollover Amount:** R500 000 (R100 000 per Ward)

- **Cable and Fault Locator:** Bid BV 629 awarded to Mboneni Teledata (Pty) Ltd

- **Rollover Amount:** R345 000
- **Miniature Substations:** Procured as a stores item. Delivery of equipment anticipated in September 2018.
 - **Rollover Amount:** R3 200 000
- **LT Boards:** Procured as a stores item. Delivery of equipment anticipated in September 2018.
 - **Rollover Amount:** R500 000
- **Upgrade library:** Tender awarded and construction in progress. This amount represents additional funding in relation to interest on the unutilised component of the grant funding as per the grant conditions.
 - **Rollover Amount:** R650 000
- **ERP HR System:** BV 696 awarded to CCG systems. Project implementation will commence in September 2018 and is anticipated to conclude no later than end of January 2019.
 - **Rollover Amount:** R350 000
- **Acquisition of building (Balke):** Due to unforeseen circumstances the property was only registered in the municipality's name during July 2018 (2018/19 financial year.
 - **Rollover Amount:** R20 175 438.59

In addition to the projects listed above, the rollover Adjustment Budget also serves the purpose of transferring housing projects from the 2017/18 financial year to the 2018/19 financial year. These projects are operational in nature and is therefore included as part of the operational budget.

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 2018/2019 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 2018/19 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 2018/19 annual budget. Only projects committed to identifiable projects as at the end of the 2017/18 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 2018/19 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, 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
Acting Director: Community Services:	Recommendation Supported

RECOMMENDATION:

That in respect of Adjustments budget for 2018/19 – August 2018

Discussed by Council at the Council meeting held on 23 August 2018

- 1. Council resolves that the rollover Adjustment Budget of Breede Valley Municipality for the financial year 2018/19 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

21 VOTES IN FAVOUR OF RECOMMENDATION

RESOLVED

C63/2018

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