

# **CONSIDERATION AND APPROVAL OF THE ADJUSTMENT BUDGET 2020/2021 AND INDICATIVE FOR THE PROJECTED TWO OUTER YEARS 2021/2022 AND 2022/2023**

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*English is the original version*

## **PURPOSE OF REPORT**

This report serves to submit the 2020/2021 and indicative two outer years annual adjustment budget for approval.

## **BACKGROUND**

Section 28 of the Municipal Finance Management Act. No 56 of 2003 states:

- (1) A municipality may revise an approved annual budget through and adjustments budget.*
- (2) An adjustments budget -
  - (b) 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;*
  - (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;*
  - (e ) 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;*
  - (f) may correct any errors in the annual budget;**

In accordance with section 23 (5) of the Municipal Budget and Reporting Regulation:

- (5) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act 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 the roll-overs relate.*

## **LEGAL RESPONSIBILITIES**

Section 28 of the Municipal Finance Management Act, 56 of 2003 and section 23 of the Municipal Budget and Reporting Regulations.

## **FINANCIAL IMPLICATIONS**

As contained in the detail report.

## **RECOMMENDATION**

- 1. That Council adopts the Adjustment Budget report.**

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## **1 Part 1 – Adjustment Budget**

### **1.1 Mayor' report**

In accordance with section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- (i) To 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.
- (ii) To authorise the utilisation of projected savings in one vote towards spending under another vote.
- (iii) To 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 rollovers when the annual budget for the current year was approved by the Council.
- (iv) 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;
- (v) To correct any errors in the annual budget.

In line with the MFMA, the 2020/21 approved Budget has now been adjusted. The adjustment has been mainly necessitated as a result of the following:

- The need to authorise the spending of unspent funds at the end of the 2019/2020 financial year.

The Municipal Budget and Reporting Regulations, which were promulgated by National Treasury, prescribe the budget reporting formats for municipalities. Accordingly, this Municipality's 2020/21 Adjustments Budget has to be presented in accordance with these reporting formats.

The Adjustments Budget reaffirms the Municipality's commitment to achieve the service delivery targets and performance indicators as reflected in the approved service delivery and budget implementation plan.

The capital expenditure budget has been realigned. Due to various reasons some projects could not be completed in the 2019/2020 financial year and funds allocated must be rolled over.

The Service Delivery and Budget Implementation Plan (SDBIP) has to be adjusted due to the realignment that has taken place on both the operational and capital expenditure budgets. This will affect service delivery targets and performance targets. The reviewed SDBIP will be submitted for the approval of the Executive Mayor.

## **1.2 Budget related resolutions**

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires the municipality to table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by Municipal Budget and Reporting Regulations

The following resolutions are put before council for consideration and approval:

### **THAT**

- 1. The adjustments budget for the financial year 2020 – 2021 be approved as contained in Tables B1 – B10 detailed below:**
  - ❖ **Table B1 – Adjustments Budget Summary**
  - ❖ **Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)**
  - ❖ **Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)**
  - ❖ **Table B4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)**
  - ❖ **Table B5 – Adjustments Capital Expenditure by Vote, Standard classification and Funding**
  - ❖ **Table B6 – Adjustments Budgeted Financial Position**
  - ❖ **Table B7 – Adjustments Budgeted Cash Flow**
  - ❖ **Table B8 – Cash backed reserves/Accumulated surplus reconciliation**
  - ❖ **Table B9 – Asset Management**
  - ❖ **Table B10 – Basic service delivery measurement**
- 2. The SDBIP will be adjusted to reflect the adjustments made in the budget allocation and submitted for subsequent approval by the Executive Mayor.**

**3. The adjustment capital budget increase from R 139 million to R 150 million due to the following changes:**

PROJECT	TOWN	FUNCTION	SOURCE OF FINANCE	BUDGET ROLL OVER
Capital - Rooidakke Storm water	Grabouw	Roads	Capital out of Revenue	332 300
Capital - Beverly hills: reinstatement of Bos Street road surface	Grabouw	Roads	Loans	496 550
Capital - Upgrade Disa Street	Riviersonderend	Roads	Capital out of Revenue	46 092
Capital - Upgrading of Streets - Riviersonderend	Riviersonderend	Roads	Capital out of Revenue	1 999 235
Capital - Smart Meters - Replacement	Theewaterskloof	Water	Loans	809 161
Capital - Grabouw bulk water	Grabouw	Water	Loans	397 567
Capital - Highmast lighting	Theewaterskloof	Electricity Distribution	Capital out of Revenue	94 644
Capital - Bulk Sewer Destiny Villiersdorp	Villiersdorp	Sewerage	Loans	850 000
Capital - WWTW upgrade	Caledon	Sewerage	Loans	3 061 313
Capital - Waste Transfer Station	Caledon	Solid waste	Loans	233 927
Capital - Waste drop off	Greyton	Solid waste	Capital out of Revenue	150 077
Capital - Upgrade of Fleet	Theewaterskloof	Electricity Distribution	Capital out of Revenue	676 777
Capital - Upgrade of Fleet	Theewaterskloof	Fleet	Loans	1 703 976
<b>TOTAL ROLL-OVER</b>				<b>10 851 621</b>

### 1.3 Executive summary

#### *Introduction*

This MTREF 2020 - 2021 adjustments budget is prepared on a multi-year basis, in line with the MFMA Municipal Budget and Reporting Regulations.

#### *Capital expenditure*

Capital expenditure has increased from R 139 million to R 150 million.

### 1.4 Adjustment budget tables

- ❖ Table B1 – Adjustments Budget Summary
- ❖ Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)
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- ❖ Table B4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)
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- ❖ Table B10 – Basic service delivery measurement

## **2 Supporting Information**

### **2.1 Adjustment to budget assumptions**

The budget assumptions which informed the approved 2020/21 Budget have been maintained.

### **2.2 Adjustment to budget funding**

The sources of funding of the municipality's budget have not changed in the current financial year. As reported the adjustments budget is mainly funded by revenue from services rendered, external loans and grant funding as set out in Division of Revenue Act (DORA) and the Provincial Gazette.

### **2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)**

The Accounting officer will submit for approval by the Executive Mayor revised SDBIP's based on the adjustments being approved.

### **2.4 Adjustment to capital expenditure**

Capital expenditure has increased from R 139 million to R 150 million.

### **2.5 Municipal Manager's quality certification**

The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 25 August 2020.

## Quality Certificate

I, D LOUW, Acting Municipal Manager of Theewaterskloof Municipality (WC031), hereby certify that the Adjustments Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments Budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name: D Louw

Acting Municipal Manager of: Theewaterskloof Municipality (WC031)

Signature: 

Date: 25 August 2020

Print Name: A Riddles

Acting Chief Financial Officer of: Theewaterskloof Municipality (WC031)

Signature: 

Date: 25 August 2020