



## **ADJUSTMENT BUDGET 2020/2021**

## 1. INTRODUCTION

Section 72(1) of the Municipal Finance Management Act (MFMA) requires from the Accounting Officer of the Municipality, to submit a mid-year budget assessment report to the Mayor before the 25th of January each year on the state of the municipality's budget based on the section 71 reports submitted; the municipality's service delivery performance during the first half of the financial year taking the service delivery targets and performance indicators set in the service delivery and budget implementation plan into account; and, the previous year's (2019/2020) annual report.

Section 28 of the MFMA determines that:

“(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustments budget –

- a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year
- 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
- c) May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality
- 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 and
- g) May provide for any other expenditure within a prescribed framework

(3) An adjustments budget must be in a prescribed format [Schedules B1 to B10 attached as Appendix A to the Adjustments Budget Report]. Adjustments Budget 2020/21.

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing and frequency [before 28 February 2021].

(5) When an adjustments budget is tabled, it must be accompanied with –

- a) An explanation how the adjustments budget affects the annual budget;
- b) A motivation of any material changes to the annual budget;
- c) An explanation of the impact of any increased spending on the annual budget and the annual budget for the next two financial years; and
- d) Any other supporting documentation that may be prescribed.

(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.”

The annual operating and capital budget have been evaluated and adjusted based on the abovementioned legislative requirements.

Section 54 of the MFMA requires of the Mayor to consider the Section 71 and 72 reports and to take appropriate action, if needed, to ensure that the approved budget is implemented in accordance with the SDBIP. Section 23(1) of the Municipal Budget and Reporting Regulations determines that – “An adjustments 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.”

## 2. ADJUSTMENT BUDGET 2020/2021

This report is a summary of the main budget issues arising from the monitoring process. It compares the process of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). No taxes or tariffs are to be adjusted.

The table below is the original budget and the proposed adjustment for the 2020/2021.

<b>Description</b>	<b>Total Budget 2020/2021 R'000</b>	<b>Adjustment Budget 2020/2021</b>
<b>Total Revenue (Excluding Capital Transfers)</b>	R 116 831	R 116 715
<b>Total Operating Expenditure</b>	R 116 455	R 116 205
<b>Total Capital Expenditure</b>	R 19 020	R 21 845

The 2020/21 proposed adjustment is a downward adjustment, from R 116 831 018 to R 116 715 269 and the anticipated expenditure decreased from R 116 455 686 to R 116 205 235. Total capital grant expenditure has increased from R 18 020 000 to R 21 845 438 due to the approval of the MIG rollover.

## 2.1 Revenue adjustment by line

Budget Items	Original Budget 2020/2021	Adjusted Budget (COVID-19)	Adjusted Budget 2020/2021 (2nd Adjusted)
Property rates	20,474,248	20,474,248	20,474,248
Service charges - electricity revenue	33,198,457	33,198,457	33,198,457
Service charges - water revenue	8,545,681	8,545,681	8,545,681
Service charges - sanitation revenue	4,373,919	4,373,919	4,373,919
Service charges - refuse revenue	8,247,158	8,247,158	8,247,158
Service charges - other	-	-	-
Rental of facilities and equipment	599,411	599,411	359,646
Interest earned - external investments	829,089	829,089	829,089
Interest earned - outstanding debtors	2,044,445	2,044,445	2,453,334
Dividends received	-	-	-
Fines, penalties and forfeits	608,660	608,660	608,660
Licences and permits	353,140	353,140	730,879
Agency services	392,378	392,378	392,378
Transfers and subsidies	28,749,000	32,115,000	32,372,000
Other revenue	4,598,076	4,598,076	3,678,460
Gains on disposal of PPE	451,360	451,360	451,360
<b>TOTAL</b>	<b>113,465,021</b>	<b>116,831,021</b>	<b>116,715,269</b>

The anticipated revenue for property rates will remain the same, the municipality has started with the compilation of the 1<sup>st</sup> supplementary roll for the general valuation roll released in 2019. Service chargers which include prepaid electricity will also remain the same, based on the actual billing that the municipality has billed for the first 6 months of the financial year.

Rental of facilities and equipment anticipated revenue is reduced as public gatherings are prohibited rental of halls need to be adjusted downwards.

Interest from outstanding debtors, there has been an increase in the interest that is charged on outstanding debtors, as the debtors book increases. Water services has the most interest charge followed by sanitation and refuse.

Government grants & subsidies is adjusted upwards as the allocation to the library has been adjusted.

This adjustment includes the COVID relief that was given to municipalities.

## 2.2 Expenditure adjustment by line

Total Operating Expenditure	Original Budget 2020/2021	Adjusted Budget (COVID-19)	Adjusted Budget 2020/2021 (2nd Adjusted)
Employee related costs	37,751,607	38,401,607	38,311,603
Remuneration of councillors	2,607,550	2,607,550	2,607,550
Debt impairment	5,589,859	5,589,859	5,589,859
Depreciation & asset impairment	12,535,184	12,535,184	12,535,184
Finance charges	132,967	132,967	199,450
Bulk purchases	21,050,682	21,050,682	21,050,682
Other materials	3,332,765	4,073,765	3,055,323
Contracted services	11,910,482	13,364,482	14,155,482
Transfers and subsidies	-	150,000	150,000
Other expenditure	18,380,102	18,550,102	18,550,102
Loss on disposal of PPE	-	-	-
<b>TOTAL</b>	<b>113,291,199</b>	<b>116,456,199</b>	<b>116,205,235</b>

The salaries of public office bearers and senior managers has not been adjusted as there has not been a circular issued on the upper limits respectively. An adjustment is also done for the 3 months SDL relief the municipality received.

Finance charges will be adjusted upwards, as the outstanding debt to Auditor General increases.

Bulk purchase will remain unchanged.

Other material is adjusted downwards due to the spending patterns of the municipality.

Contracted services are adjusted upwards to due to the cost of the implementation of the financial system and legal services.

## 3. PROJECTS

### 3.1 Externally funded projects

In October 2020 the municipality received approval for the roll over application made on the MIG 2019/20 allocation, in relation to the Establishment of a New Landfill Site.

These items will be adjusted as follows:

GRANT	PROJECTS	2020/21	ADJUST	FINAL 2020/21
MIG	Establishment of new landfill site & rollover	8,020,000	3,825,438	11,845,438
EE&D		2,000,000.		2,000,000
WSIG	Refurbishment of pump station	8,000,000		8,000,000
		<b>18,020,000</b>	<b>3,825,438</b>	<b>21,845,438</b>

This results in an increase of R 3 825 438 in the externally funded projects.

#### **4. Recommendation**

- 4.1 That council approves the Final Draft Adjustment Budget 2020/2021 as 28 & 72 of the Municipal Finance Management Act No 56 of 2003.
- 4.2 That Final Draft Adjustment Budget to be referred to relevant committees for consideration.