



KGATELOPELE LOCAL MUNICIPALITY

**Special Adjustment Budget 2020/21 –
COVID19 Pandemic Allocation**

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1. INTRODUCTION

The 2020 National Supplementary Budget was delivered by the Minister of Finance in Parliament on 24 June 2020. The 2020 Supplementary Budget responds to the COVID19 pandemic and its impact on the economy. This includes the additional allocation for local government announced by the President to assist in funding COVID-19 expenditure. In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Section 23(3) of the Municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2020/21 MTREF budgets to account for the revised funding allocations that were made available. Also, municipalities should use this adjustment budget process to reprioritise the 2020/21 budgets to respond to the impact of the COVID-19 pandemic on the budgets.

This additional Equitable Share allocation is a national government response to the Pandemic. You would recall that before COVID-19 pandemic allocation for 2020/21 had already been concluded, then the Pandemic came, as a result National Government had to respond to the COVID-19 expenditure pressures that were experienced by municipalities. The response included the R11 billion additional allocation to local government and the reprioritisation of the already allocated infrastructure projects grants, where municipalities could use some infrastructure projects up to 10% (refer to page 37 of the DoRA Amendment Bill) to respond to the COVID-19 expenditure pressures.

2. SPECIAL ADJUSTMENT BUDGET 2020/21 – COVID 19

The Municipal SCOA Circular No. 9 issued by National Treasury provide guidance to municipalities on how to report on the COVID-19 specific funding allocations and expenditure using the Municipal Chart of Accounts (mSCOA). This circular must be read in conjunction within the framework of the Disaster Management Act, 2002, all applicable COVID-19 Regulations and circulars (in particular the annexure to MFMA Circular No. 99 dated 8 April 2020) and the National Treasury Instruction No. 05 of 2020/21.

KLM SPECIAL ADJUSTMENT BUDGET 2020/2021 – COVID-19 ALLOCATION REPORT

Specific guidelines are provided to budget for the impact of the COVID-19 pandemic. The table below is the proposed adjustment for the 2020/2021 budget as per the guidelines of the Municipal SCOA Circular No. 9.

| DESCRIPTION | 2020/2021 | | SPECIAL ADJUSTMENT BUDGET R '000 |
|------------------------------------------------|---------------------------|-----------------------|-------------------------------------------|
| | ORIGINAL BUDGET R '000 | ADJUSTMENTS R '000 | |
| Total Revenue (Excluding Capital Transfers) | 113,465 | 3,366 | 116,831 |
| Total Operating Expenditure | 113,290 | 3,166 | 116,456 |
| Total Capital Expenditure | 22,659 | 200 | 22,859 |

2.1. Revenue adjustment by line

| Grant | Main allocation | Adjustment | Adjusted Allocation |
|-----------------|-----------------|-------------|---------------------|
| Equitable Share | R24, 294 mil | R3, 366 mil | R27, 660 mil |

The proposed adjustment is in respect of the additional Equitable Share allocated to the municipality to respond to the COVID-19 expenditure pressures.

2.2. Expenditure adjustment by line

The proposed adjustment expenditures are in terms of the guidelines of the Municipal SCOA Circular No. 9 issued by National Treasury.

KLM SPECIAL ADJUSTMENT BUDGET 2020/2021 – COVID-19 ALLOCATION REPORT

| Description | Budget Year 2020/21 | | |
|-------------------------------------|---------------------|--------------|-----------------|
| | Original Budget | Adjustments | Adjusted Budget |
| | R'000 | R'000 | R'000 |
| <u>Financial Performance</u> | | | |
| Employee costs | 37,752 | 650 | 38,402 |
| Remuneration of councilors | 2,608 | – | 2,608 |
| Depreciation & asset impairment | 12,535 | – | 12,535 |
| Finance charges | 133 | – | 133 |
| Materials and bulk purchases | 24,382 | 742 | 25,124 |
| Transfers and grants | – | 150 | 150 |
| Other expenditure | 35,880 | 1,624 | 37,504 |
| Total Expenditure | 113,290 | 3,166 | 116,456 |

Capital Expenditure:

| Description | Budget Year 2020/21 | | |
|-------------------------------------------------------|---------------------|-------------|-----------------|
| | Original Budget | Adjustments | Adjusted Budget |
| | R'000 | R'000 | R'000 |
| <u>Capital expenditure & funds sources</u> | | | |
| Capital expenditure | | | |
| Transfers recognised - capital | 18,020 | – | 18,020 |
| Borrowing | – | – | – |
| Internally generated funds | 4,639 | 200 | 4,839 |
| Total sources of capital funds | 22,659 | 200 | 22,859 |

3. CONCLUSION

Kgatelopele Local Municipality must ensure the COVID 19 funding and expenditure are ring fenced (isolated) and classified correctly in terms of the mSCOA chart when budgeting and transacting. This will assist with reporting on COVID-19, as well as with the compilation and

disclosure when it comes to the preparation of the Annual Financial Statements (AFS), because the transactions will have to be separately disclosed due to the nature of the transactions in terms of GRAP 1.

4. RECOMMENDATION

That council approves the Special Adjustment Budget 2020/2021 as per 28 & 72 of the Municipal Finance Management Act No 56 of 2003.