

**C.15 MATTERS FOR CONSIDERATION**

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**C.15.1 REVISION OF BUDGET ESTIMATES: MUNICIPAL ADJUSTMENTS BUDGET FOR THE 2021/2022 FINANCIAL YEAR (5/1/19)**

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**PURPOSE OF SUBMISSION**

That Council considers to approve an Adjustments Budget contemplated in terms of sections 28(2)(b), (d) and (f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(1) of the Municipal Budget and Reporting Regulations, 2008.

**BACKGROUND**

In terms of section 28 of the MFMA a council may at times have to consider a revision of its original budget as a result of material and significant changes in the collection of revenue, spending patterns, or projections thereof for the remainder of the financial year.

Section 28(4) of the MFMA stipulates that only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of sections 28(2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

Section 28 of the MFMA provides as follows in respect of an adjustments budget:

- (a) Council may only appropriate additional revenue that has become available, but only to revise or accelerate spending programmes already budgeted for (multiple years);
- (b) A municipality may authorise the utilisation of projected savings in any vote for spending on another vote;
- (c) May authorise the spending of funds that were unspent at the end of the past financial year where the underspending 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;
- (d) May correct any errors in the annual budget;
- (e) May provide for any other expenditure within a prescribed framework.

Section 28(5) determines that when an adjustments budget is tabled, it must be accompanied by –

- (i) An explanation of how the adjustments affect the approved annual budget;
- (ii) Appropriate motivations for material changes; and
- (iii) An explanation of the impact of any increased spending on current and future annual budgets.

Furthermore, regulation 23 of the Municipal Budget and Reporting Regulations, 2008 (published in Government Gazette No. 32141 on 17 April 2009), determines the timeframes for tabling of adjustments budgets as follows:

- (1) An adjustments budget referred to in sections 28(2)(b), (d) and (f) of the MFMA 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) Only one adjustments budget referred to in sub-regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the MFMA are allocations to a municipality in a national or provincial adjustments budget, in which case sub-regulation (3) applies.

In terms of section 30 of the MFMA, the appropriation of funds in an annual or adjustments budget lapses to the degree in which those funds are unspent at the end of the financial year to which the budget relates, except, in terms of section 16(3), in the case of an appropriation for expenditure made for a period longer than that financial year. Section 16(3) stipulates that Council may approve money for capital expenditure for a period of not more than three financial years, provided that a separate appropriation is made for each of those financial years.

## **PROPOSED REVISED BUDGET JANUARY 2021**

### **Rollover Approvals**

The Western Cape Provincial Minister of Finance has granted approval in terms of section 10(2) of the Western Cape Appropriation Act (WCAA), 2020 (Act No. 2 of 2020), to roll-over the following unspent funds:

#### *2020/2021 Unspent Grants*

- |  |           |
|--|-----------|
| (i) Safety Initiative Implementation –<br>Whole of Society Approach (WoSA) | R 294 601 |
| (ii) Integrated Transport Planning   | R 822 456 |
| (iii) Community Dev. Workers Operational Support Grant                     | R 75 000  |

#### *2019/2020 Unspent Grants*

- |  |             |
|--|-------------|
| (i) Local Government Internship Grant      | R 31 545    |
| (ii) Fire Services Capacity Building Grant | R 1 046 000 |
| (ii) Community Development Workers Grant   | R 94 127    |

No Rollover Adjustments budget was submitted during August 2021 due to the fact that the Rollover approval was pending.

### **Decrease of Roads Allocation**

The Western Cape Provincial Government, via its Department of Transport and Public Works, decreased their allocation for the maintenance and construction of proclaimed Provincial Roads in terms of “Addendum 1 to the Memorandum of Agreement” for the 2021/2022 financial year. The original allocation of R117 080 000 was decreased with R14 060 000 to R103 020 000. The effect on Council’s budget is a decrease of R8 311 703, see Annexure “J”.

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### **Adjustments budget summary**

Annexure “A” Schedule B Adjustments Budget 2021/2022.

Annexure “B” 2021/2022 Adjustments Budget: Summary per vote.

Annexure “C” 2021/2022 Adjustments Budget: Capital.

Annexure “D” 2021/2022 Adjustments Budget: Projects.

Annexure “E” Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

Annexure “F” Approval of Rollover Applications.

Annexure “G” Addendum 1 to the Memorandum of Agreement for the 2021/2022 financial year.

Annexure “H” B Schedules .

Annexure “I” 2021/2022 Adjusted SDBIP.

Annexure “J” Decrease of Roads Budget – Municipal financial year.

Annexure “K” Adjusted Lists of section 17(3)(j) Grants.

### **COMMENT**

#### **Virements:**

Various other adjustments, the utilisation of savings in one vote towards spending under another vote, in terms of the Virement Policy of the Cape Winelands District Municipality, were affected.

#### **Capital:**

Capital expenditure is disclosed in detail in Annexure “C”.

## **IMPLICATIONS**

### **PERSONNEL**

None.

*Comment prepared by: Ms. G.C.N. Gilbert*

### **FINANCIAL**

Financial implications were addressed adequately in the contents of the item and concomitant Annexures.

*Comment prepared by: Ms. F.A. du Raan-Groenewald*

### **LEGAL**

Section 28(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) stipulates that a municipality may revise an approved annual budget through an adjustments budget.

In terms of section 28(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) 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 be 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;
- (g) may provide for any other expenditure within a prescribed framework.

Section 28(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) stipulates that an adjustments budget must be in the prescribed form.

In term of section 28(4) determines 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 or frequency.

In accordance with section 28(4), when an adjustments budget is tabled, it must be accompanied by –

- (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 budgets for the next two financial years;
- (d) any other supporting documentation that may be prescribe;

Section 28(6) stipulates that municipal tax and tariffs may not be increased during a financial year, whilst section 28(7) determines that sections 22(b), 23(3) and 24(3) of the MFMA apply in respect of an adjustments budget, and in such application a reference in those section to an annual budget must be read as a reference to an adjustments budget.

*Comment prepared by: Ms. W.M. Neethling*

**RECOMMENDATION BY MUNICIPAL MANAGER:** That –

- (a) The Executive Mayor and Mayoral Committee take cognisance of the following –
  - (i) That the Accounting Officer submitted the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021, as prepared in accordance with section 72 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) to the Executive Mayor (Annexure “E”);
- (b) The Executive Mayor together with the Mayoral Committee consider to recommend to Council to –
  - (i) Take cognisance of the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Annexure “E”);

- (ii) Approve the 2021/2022 Adjustments Budget attached as Annexures "A", "B", "C", "D", "F", "G", "H", "I", "J" and "K".

**MAYORAL COMMITTEE: 8 FEBRUARY 2022: ITEM MC.8.2.5**

**RESOLVED:** That –

(a) Cognisance be taken of the following –

- (i) That the Accounting Officer submitted the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021, as prepared in accordance with section 72 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) to the Executive Mayor (Annexure "E");

(b) It be recommended to Council to –

- (i) Take cognisance of the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Annexure "E");

- (ii) Approve the 2021/2022 Adjustments Budget attached as Annexures "A", "B", "C", "D", "F", "G", "H", "I", "J" and "K" provided that -

(aa) SIDE WALKS AND EMBAYMENT'S  
(Item Numbers 20181207004243 and 20170601023679)

The allocation in the amount of R2 100 000 be reduced by R1 900 000 to R200 000;

(bb) AERIAL SUPPORT AND GROUND TEAMS  
(Item Number 2021706012770)

The allocation be increased with an amount to be determined in accordance with savings to be identified;

(cc) All Departments be requested to identify possible savings on the 2021/2022 operational budget, which must be communicated to the Budget and Treasury Office before the end of business on Tuesday, 8 February 2022.

**RECOMMENDATION BY MAYORAL COMMITTEE:** That –

(a) Council consider to –

(i) Take cognisance of the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Annexure “E”);

(ii) Approve the 2021/2022 Adjustments Budget attached as Annexures “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J and “K” provided that -

(aa) SIDE WALKS AND EMBAYMENT’S  
(Item Numbers 20181207004243 and 20170601023679)

The allocation in the amount of R2 100 000 be reduced by R1 900 000 to R200 000;

(bb) AERIAL SUPPORT AND GROUND TEAMS  
(Item Number 2021706012770)

The allocation be increased with an amount to be determined in accordance with savings to be identified.

**COUNCIL MEETING: 28 FEBRUARY 2022: ITEM C.15.1**

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The Executive Mayor presented her 2021/2022 Adjustments Budget Speech as contemplated in terms of sections 28(2)(b), (d) and (f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(1) of the Municipal Budget and Reporting Regulations, 2008, a copy of which is attached as Annexure “A” to the minutes.

(The meeting adjourned for a caucus at 10:44 and resumed business at 10:58)

The Executive Mayor, Alderman (Dr.) Alderman C. Meyer,

(a) Council consider to –

(i) Take cognisance of the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Annexure “E”);

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(ii) Approve the 2021/2022 Adjustments Budget attached as Annexures “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J” and “K” provided that -

(aa) SIDE WALKS AND EMBAYMENT'S  
(Item Numbers 20181207004243 and 20170601023679)

The allocation in the amount of R2 100 000 be reduced by R1 900 000 to R200 000;

(bb) AERIAL SUPPORT AND GROUND TEAMS  
(Item Number 2021706012770)

The allocation be increased with R6 900 000.

The Speaker, Councillor D.D. Joubert, requested that the proposal be put to the vote.

The matter was put to the vote and thirty-five (35) Councillors voted in favour of the proposal by the Executive Mayor, Alderman (Dr.) .

**RESOLVED (35 Councillors):** That –

(a) Cognisance be taken of the Mid-year Budget and Performance Assessment Report for the period 1 July 2021 to 31 December 2021 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Annexure “E”);

(b) The 2021/2022 Adjustments Budget attached as Annexures “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J” and “K” be approved provided that –

(i) SIDE WALKS AND EMBAYMENT'S  
(Item Numbers 20181207004243 and 20170601023679)

The allocation in the amount of R2 100 000 be reduced by R1 900 000 to R200 000;

(ii) AERIAL SUPPORT AND GROUND TEAMS  
(Item Number 2021706012770)

The allocation be increased with R6,9 million.

<b>ACTION</b>	<b>DUE DATE</b>	<b>COMMENT</b>
Ms. F.A. du Raan-Groenewald (BTO) to attend to the matters	11 March 2022	