

**C.15.8 REVISION OF BUDGET ESTIMATES: MUNICIPAL ADJUSTMENTS BUDGET
FOR THE 2023/2024 FINANCIAL YEAR (5/1/1/9)**

PURPOSE OF SUBMISSION

That Council consider 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 section 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), determined the timeframes for tabling of adjustments budgets as follows:

- (1) An adjustments budget referred to in section 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 FEBRUARY 2024

A. Additional Funding

Provincial Government

The Western Cape Adjustments Appropriation Act, 2023, was enacted on 28 December 2023 and arising from this, for the 2023/24 financial year, the following additional transfers were allocated to the municipality see Annexure "F":

1. Municipal Water Resilience Grant

1.1 Purpose

To provide financial assistance to municipalities to enhance water resilience through water supply augmentation, infrastructure capacity upgrades, water source management and water demand management across the province.

1.2 Outcome

Water supply assurance and resilience across the Province, an amount of R1 200 000 was gazetted for this purpose.

2. Western Cape Municipal Interventions Grant

2.1 Purpose

To provide financial assistance to municipalities to improve infrastructure, systems, structures, corporate governance, service delivery and compliance with executive obligations.

2.2 Outcome

- Improve the capacity of municipalities to deliver services;
- Strengthen infrastructure, processes, systems and structures;
- Improve corporate governance in municipalities;
- Maximising efficiency gains in service delivery;
- To achieve cost effective service delivery outcomes as envisaged by specific strategic objectives which is outlined in the Municipal Integrated Development Plans;
- To enable the Municipalities to comply with their legislative requirements.
- To ensure compliance with executive obligations; and
- To intervene and/or provide support to Municipalities including financial assistance to projects and plans as envisaged in terms of sections 139, 154 or 155 of the Constitution and the Western Cape Monitoring and Support of Municipalities Act, an amount of R100 000 was gazetted for this purpose.

B. Decrease of Funding

Due to the current fiscal cuts faced by government, the National Treasury reduced the Expanded Public Works Programme Grant with R134 000 from R2 405 000 to R2 271 000 see Annexure G.

C. Rollover Approvals

Provincial Government

The Western Cape Provincial Treasury has in principle granted approval, in terms of section 10(2) of the Western Cape Appropriation Act, 2022 (Act No. 2 of 2022) and Western Cape Adjustments Appropriation Act, 2022 (Act No. 3 of 2022), to roll-over the below unspent funds see Annexure “H”:

2022/2023 Unspent Grants:

(i)	Safety Initiative Implementation – Whole of Society Approach (WoSA)	R755 824
(ii)	Community Dev. Workers Operational Support Grant	R14 116
(iii)	Western Cape Municipal Interventions Grant	R98 482

D. Adjustments to Budget Related Policies

Amendment to the Funding and Reserves Policy were necessitated to specify the self-insurance reserve, currently included under non-current provisions in the same policy. The proposed amendment is contained in Annexure “L”.

E. Adjustments budget summary

Annexure “A”	Schedule B Adjustments Budget 2023/2024
Annexure “B”	2023/2024 Adjustments Budget: Summary per vote
Annexure “C”	2023/2024 Adjustments Budget: Capital
Annexure “D”	2023/2024 Adjustments Budget: Projects
Annexure “E”	Mid-year Budget and Performance Assessment Report for the period 1 July 2023 to 31 December 2023 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 additional funding
Annexure “G”	Decrease of EPWP.
Annexure “H”	Approval of Rollover Applications
Annexure “I”	Adjusted Lists of Section 17(3)(j) Grants.
Annexure “J”	B Schedules

Annexure “K” 2023/2024 Adjusted SDBIP

Annexure “L” Amendment to the Funding and Reserves Policy

COMMENT

Grants made by the Municipality:

An additional activity, Expo, is added to the Breede Valley Business Network Project. The project was originally budgeted for R750 000 but due to rising costs an additional R250 000 is requested in the Adjustment Budget see Annexure “I”.

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. Julie

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. S.S. Sanders

RECOMMENDATION BY MUNICIPAL MANAGER: That –

- (a) The Executive Mayor and Mayoral Committee take cognisance that the Accounting Officer submitted the Mid-year Budget and Performance Assessment Report for the period 1 July 2023 to 31 December 2023, 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 2023 to 31 December 2023 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 2023/2024 Adjustments Budget attached as Annexure “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J”, “K” and “L”.

MAYORAL COMMITTEE: 6 FEBRUARY 2024: ITEM MC.8.2.4

RESOLVED: That –

- (a) Cognisance be taken that the Accounting Officer submitted the Mid-year Budget and Performance Assessment Report for the period 1 July 2023 to 31 December 2023, 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 2023 to 31 December 2023 as stipulated in section 54(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Annexure “E”);
 - (iii) Approve the 2023/2024 Adjustments Budget attached as Annexures “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J”, “K” and “L”, subject thereto that adjustments be made within the current appropriation, based on the verbal input tabled during the meeting.

RECOMMENDATION BY MAYORAL COMMITTEE:

That Council consider to –

- (a) Take cognisance of the Mid-year Budget and Performance Assessment Report for the period 1 July 2023 to 31 December 2023 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) Approve the 2023/2024 Adjustments Budget attached as Annexures “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J”, “K” and “L”.

COUNCIL MEETING: 22 FEBRUARY 2024: ITEM C.15.8

(Councillor M.H. Yabo left the meeting at 10:52)

RESOLVED (32 Councillors) (Unanimous) :

That –

- (a) Cognisance be taken of the Mid-year Budget and Performance Assessment Report for the period 1 July 2023 to 31 December 2023 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 2023/2024 Adjustments Budget attached as Annexures “A”, “B”, “C”, “D”, “F”, “G”, “H”, “I”, “J”, “K” and “L”, be approved.

ACTION	DUE DATE	COMMENT
Ms. F.A. du Raan-Groenewald (BTO) to attend to (b).	29 February 2024	Official Notice will be published in regional newspapers from 29 February 2024.