

- C.15.3 APPROVAL OF REDUCED FUNDING RECEIVED FOR THE 2020/2021 PROVINCIAL FINANCIAL YEAR AND INCREASE IN FUNDING RECEIVED FOR THE PERIOD APRIL 2021 TO JUNE 2021, RECEIVED FROM THE WESTERN CAPE PROVINCIAL GOVERNMENT: ROAD AGENCY FUNCTION IN TERMS OF SECTION 28(2)(b) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003) (MFMA) AND REGULATION 23(3) OF THE MUNICIPAL BUDGET AND REPORTING REGULATIONS, 2008 (3/2/5/15 & 5/1/1/6)**
- R.15.3 GOEDKEURING VAN DIE AFNAME IN BEFONDSING WAT VIR DIE 2020/2021 PROVINSIALE FINANSIËLE JAAR ONTVANG IS EN DIE TOENAME IN BEFONDSING WAT VIR DIE TYDPERK APRIL 2021 TOT JUNIE 2021 VAN DIE WES-KAAPSE PROVINSIALE REGERING: PAAIE-AGENTSKAPSFUNKSIE ONTVANG IS INGEVOLGE ARTIKEL 28(2)(b) VAN DIE WET OP PLAASLIKE REGERING: MUNISIPALE FINANSIËLE BESTUUR, 2003 (WET NO. 56 VAN 2003 (MFMA) EN REGULASIE 23(3) VAN DIE MUNISIPALE BEGROTING-EN-VERSLAGDOENINGSREGULASIES, 2008 (3/2/5/15 & 5/1/1/6)**
- C.15.3 IMVUME YOKUNCITSHISWA KWENKXASO-MALI EFUNYENWEYO YONYAKA-MALI WEPHONDO WAMA-2020/2021 KUNYE NOKWANDISWA KWINKXASO-MALI EFUNYENWEYO YESITHUBA ESISUKA KU-EPRELI 2021 UKUYA KUJUNI 2021, EFUNYENWE IVELA KURHULUMENTE WEPHONDO LENTSHONA KOLONI: UMSEBENZI WE-ARHENTE YENDLELA NGOKUHAMBELANA NECANDELO 28(2)(b) LOMTHETHO KAMASIPALA: UMTHETHO KAMASIPALA WOLAWULO LWEMALI, (UMTHETHO ONGUNOMBOLO 56 WAMA-2003) (MFMA) KUNYE NOMMISELO 23(3) WOHLAHLA LWABIWO-MALI LUKAMASIPALA KUNYE NEMIMISELO YOKUNIKWA KWENGXELO, 2008 (3/2/5/15 & 5/1/1/6)**

PURPOSE OF SUBMISSION

That Council consider to approve the reduced funding for the 2020/2021 Provincial financial year and the increase in funding for the 2021/2022 provincial financial year, received from the Western Cape Provincial Government: Roads Agency Function in terms of section 28(2)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(3) of the Municipal Budget and Reporting Regulations, 2008.

DOEL VAN VOORLEGGING

Dat die Raad oorweging skenk aan die goedkeuring van die afname in befondsing vir die 2020/2021 provinsiale finansiële jaar en die toename in befondsing vir die 2021/2022 provinsiale finansiële jaar wat van die Wes-Kaapse Provinsiale Regering: Paaie-agentskapsfunksie ontvang is ingevolge artikel 28(2)(b) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet No. 56 van 2003) (MFMA) en regulasie 23(3) van die Munisipale Begroting-en-verslagdoeningsregulasies, 2008.

INJONGO YONGENISO

Yeyokokuba iBhunga licamngce ngokwamkela inkxaso-mali encitshisiweyo yonyaka-mali wephondo wama-2020/2021 nokwandiswa kwenkxaso-mali yonyaka-mali wephondo wama-2021/2022, efunyenwe ivela kuRhulumente wePhondo leNtshona Koloni: uMsebenzi we-Arhente yeeNdlela ngokuhambelana neCandelo 28(2)(b) loMthetho kaMasipala: uMthetho kaMasipala woLawulo lweMali, 2003 (uMthetho onguNombolo 56 wama-2003) (MFMA) kunye neMimiselo 23(3) woHlahlo Lwabiwo-mali lukaMasipala kunye neMimiselo yokuNikwa kweNgxelo, 2008.

BACKGROUND

In general: Council's road agency funded budget is funded by a financial Addendum to the Memorandum of Agreement (MOA) for a 3-year provincial financial year period, budgeted using estimated pro rata cash flows to compensate for the different financial years involved and annually adjusted based on the provincial financial year allocation funding period.

Council's 2020/2021 road agency budget is therefore funded by the following Addendum to the Memorandum of Agreements:

- Addendum to the MOA for the 2020/2021 financial year:
 - 1 April 2020 to 31 March 2021: R108 505 000.00
 - 1 April 2021 to 31 March 2022: R117 080 000.00
 - 1 April 2022 to 31 March 2023: R123 130 000.00

The full amount available is not transferred but monthly expenditure is reimbursed after submitting monthly claims to Province that includes the processing of the monthly expenditure into different standard activity codes and performance indicators making use of the provincial roads management system (IMMS).

Province further transfers a two-month advanced payment at the beginning of the provincial financial year (based on the original 2-month cash flow budget estimates) but also reimburses all monthly claims continuing monitoring the spending.

Annually Council is required to review and adjust the road agency funded budget after the 12-month provincial allocation period to allow for:

- Any remaining funds already transferred and not claimed by Council needs to be returned together with an adjustment (reduction) on the current Council's budget of the under-expenditure amount.
- Any over expenditure needs to be reflected on Council's following financial year budget with an adjustment (reduction) for the over expenditure amount (the over expenditure will be funded by the following provincial year allocation as reflected in the 3-year Memorandum of Agreement).

COMMENT

The following two MOA adjustments were also recently received affecting the original provincial funding available for the period 1 April 2020 to 31 March 2021:

- Addendum 1 to the MOA for the 2020/2021 financial year:
 - 1 April 2020 to 31 March 2021: R103 955 000.00
 - Due to Provincial COVID-19 related expenses

- Addendum 2 to the MOA for the 2020/2021 financial year:
 - 1 April 2020 to 31 March 2021: R100 000 000.00
 - Due to the continuous cumulative under expenditure up to 31 December 2020 (R7 775 371.57 based on the first reduction to R103 995 000.00). This under expenditure was mainly due to the ripple effect of the COVID-19 lockdown and relevant regulations affecting the civil industry returning to full production. It was also linked to the periods involved to fill the different budgeted vacant posts.

The impact of the adjusted reduced budget amount of R8 575 000.00 is therefore applicable to the MOA for the period 1 April 2020 to 31 March 2021 and represents two of Council's financial years:

- 2019/ 2020: April 2020, May 2020 and June 2020
- 2020 /2021: July 2020 to June 2021

Due to relevant financial legislation and the time periods involved it is not possible at this stage to finalise the March 2021 expenditure claim and therefore to perform an accurate adjustment based on an over or under expenditure.

To determine the impact of the R8 575 000.00 reduction on the available funding to Council and subsequent risk to Council based on all original and revised signed MOAs:

- This reduction forms part of the provincial funding period for April 2020, May 2020 and June 2020 (when an under expenditure of the estimated cumulative budget cash flow of R3 269 495.00 was applicable). The full impact of the reduction of the R8 575 000.00 therefore cannot be accommodated in Council's current financial year period (July 2020 to June 2021).

- R108 575 000.00 (provincial funding period for 1 April 2020 to 31 March 2021)

- R117 080 000.00 (provincial funding period for 1 April 2020 to 31 March 2021)

It can therefore be concluded that:

- Sufficient provincial funds are still available to cover the existing 2020/2021 Council road agency budget (R117 050 000.00).
- The revised estimated expenditure for January 2021 is R8 900 000.00 and for February 2021 is R15 300 000.00. The expected remaining funding for the provincial funding period is R1 805 371.57.
- All expenditure for the March 2021 is currently monitored to limit the expected over expenditure for the provincial funding period 1 April 2020 to 31 March 2021.
- Final annual review of the provincial 12-month funding period:
 - After finalising of the March 2021 expenditure claim that both Council's affected budgets (2020/2021 and 2021/2022) be adjusted if needed: for 2020/2021 (affecting 3/12 months of relevant MOA period) and 2021/2022 (affecting 9/12 month of relevant MOA period).

ANNEXURES

*** Attached as Annexure "A" the Addendum to the MOA for the 2020/2021 financial year.

*** Attached as Annexure "B" the Addendum 1 to the MOA for the 2020/2021 provincial financial year.

*** Attached as Annexure "C" the Addendum 2 to the MOA for the 2020/2021 provincial financial year.

*** Attached as Annexure D" the confirmation by Province relating to any under or over expenditure as on 31 March 2021.

*** Attached as Annexure "E" the total expenditure from the provincial road management system (IMMS) reflecting the continuous under expenditure by Council up to December 2020.

*** Attached as Annexure "F" illustrating the provincial 2019/ 2020 financial year and the accommodation of the over expenditure of R384 207.11 (2019/2020) from the 2020/2021 funding.

*** Attached as Annexure "G" March 2021 Adjustments Budget.

*** Attached as Annexure "H" Budget summary after adjustments.

*** Attached as Annexure "I" Schedule B Reports 6.4.

Comment prepared by: Mr. A.C.A. Stevens

IMPLICATIONS

PERSONNEL

None.

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

FINANCIAL

The financial effect on Council's 2020/2021 Operational budget will be zero, because this adjustments budget will entail the shifting of funds from the 2020/2021 to the 2021/2022 Provincial financial years as illustrated below. The decrease in the provincial funding for their 2020/2021 financial year will result in an over expenditure for the period ending March 2021, hence in terms of Annexure "D", Council is allowed to increase the budget for the period, April 2021 – June 2021.

Description	July 2020 - June 2021		Total
	Prov. Fin Year	Prov. Fin Year	
	July 2020 - March 2021	April 2021 - June 2021	
Budget Allocation	79,915,000	37,590,000	117,505,000
Decrease Addendum 2	- 3,995,000	-	- 3,995,000
Allocation after decrease	75,920,000	37,590,000	113,510,000
Increase allowed Annexure "D"	-	3,995,000	3,995,000
Allocation after increase	75,920,000	41,585,000	117,505,000

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

LEGAL

In accordance with section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), revisions of an annual budget must be done through an adjustments budget. 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.

Comment prepared by: Ms. W.M. Neethling

RECOMMENDATION BY MUNICIPAL MANAGER:

That Council consider to approve the reduced funding for the 2020/2021 Provincial financial year and the increase in funding for the 2021/2022 provincial financial year received from the Western Cape Provincial Government: Road Agency Function as reflected in Annexures "A", "B", "C", "D", "E", "F", "G", "H" and "I" in terms of section 28(2)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA) and regulation 23(3) of the Municipal Budget and Reporting Regulations, 2008.

AANBEVELING DEUR MUNISIPALE BESTUURDER:

Dat die Raad oorweging skenk aan die goedkeuring van die afname in befondsing vir die 2020/2021 provinsiale finansiële jaar en die toename in befondsing vir die 2021/2022 provinsiale finansiële jaar wat van die Wes-Kaapse Provinsiale Regering: Paaie-agentskapsfunksie ontvang is, aangeheg as Bylaes "A", "B", "C", "D", "E", "F", "G", "H" en "I", ingevolge artikel 28(2)(b) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet No. 56 van 2003 (MFMA) en regulasie 23(3) van die Munisipale Begroting-en-verslagdoeningsregulasies, 2008.

INGCEBISO EYENZIWA NGUMLAWULI KAMASIPALA:

Yeyokokuba iBhunga licamngce ngokwamkela inkxaso-mali encitshisiweyo yonyaka-mali wephondo wama-2020/2021 nokwandiswa kwenkxaso-mali yonyaka-mali wephondo wama-2021/2022, efunyenwe ivela kuRhulumente wePhondo leNtshona Koloni: uMsebenzi we-Arhente yeeNdlela njengoko kuboniswe njengeZihlomelo "A", "B", "C", "D", "E", "F", "G", "H" kunye no-"I" ngokuhambelana neCandelo 28(2)(b) loMthetho kaMasipala: uMthetho kaMasipala woLawulo lweMali, 2003 (uMthetho onguNombolo 56 wama-2003) (MFMA) kunye neMimiselo 23(3) woHlahlo Lwabiwo-mali lukaMasipala kunye neMimiselo yokuNikwa kweNgxelo, 2008.

COUNCIL MEETING: 25 MARCH 2021: ITEM C.15.3

The Executive Mayor, Alderman (Dr.) H. von Schlicht from the Democratic Alliance (DA) seconded by Councillor D. Swart, Deputy Executive Mayor from the Democratic Alliance (DA), proposed that the reduced funding for the 2020/2021 Provincial financial year and the increase in funding for the 2021/2022 provincial financial year received from the Western Cape Provincial Government: Road Agency Function as reflected in Annexures "A", "B", "C", "D", "E", "F", "G", "H" and "I" in terms of section 28(2)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(3) of the Municipal Budget and Reporting Regulations, 2008, be approved.

RESOLVED (Unanimously 31 Councillors):

That the reduced funding for the 2020/2021 Provincial financial year and the increase in funding for the 2021/2022 provincial financial year received from the Western Cape Provincial Government: Road Agency Function as reflected in Annexures "A", "B", "C", "D", "E", "F", "G", "H" and "I" in terms of section 28(2)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA) and regulation 23(3) of the Municipal Budget and Reporting Regulations, 2008, be approved.

ACTION	DUE DATE	COMMENT
Ms FA du Raan-Groenewald (BTO) to attend to the matter	06 April 2021	Advertisements in the media with effect from Tuesday, 06 April 2021

C.16 CONCLUSION

The agenda was concluded at 12:45.

CONFIRMED ON THIS DAY OF 2021.

SPEAKER

DAH/iw