



Verslag ♦ Ingxelo ♦ Report

Office of the Director: Financial Services
22 April 2021

5/1/4
WYK: Alle

ITEM 7.3 VAN DIE AGENDA VAN 'N GEWONE RAADSVERGADERING WAT GEHOU SAL WORD OP 29 APRIL 2021

**ONDERWERP: GOEDKEURING VAN DIE 2020/2021 SPESIALE AANSUIWERINGSKAPITAAL EN
BEDRYFSBEGROTING**

**SUBJECT: APPROVAL OF THE 2020/2021 SPECIAL ADJUSTMENTS CAPITAL AND
OPERATING BUDGET**

1. BACKGROUND

The main reasons for this special adjustments budget are due to the MIG funding that was reduced by R 260 000 as promulgated in the Government Gazette No.44178 dated 22 February 2021 and additional MIG funding of R 2 000 000 promulgated in the Government Gazette No 44349 dated 29 March 2021.

Further to the above, Council's Community Library Services Grant was reduced by R 1 028 000 in August 2020, but as a result of savings realised by the provincial department, re-allocated back to Swartland Municipality as promulgated in the Provincial Gazette Extraordinary No 8400 dated 16 March 2021, necessitating the adjustment.

Since the RSEP recreational nodes/parks were developed, a number of trees were damaged and needs to be replaced. The requirement to accommodate this project as part of the operational budget was missed and therefore the "error" is corrected as the Development Directorate confirmed that this project sorts under the current RSEP grant allocation and approved as part of the bigger RSEP Recreational Nodes. This requires that funds allocated in the capital budget be moved to the operational budget.

1.1 SECTION 28 MUNICIPAL ADJUSTMENTS BUDGETS

In terms of Section 28 of the Municipal Finance Management Act, Council may revise an approved annual budget through an adjustments budget subject to provisions of section 28 of the MFMA:

- (1) A municipality may revise an approved annual budget through an adjustments budget;
- (2) An adjustments budget-
 - (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;
 - (g) may provide for any other expenditure within a prescribed framework.

The municipality is accordingly allowed to adjust its budget as Section 28 (2) (b) and (g) is applicable.

2. DISCUSSION

The adjustments to the 2020/2021 Capital budget are mainly due to the MIG funding adjustments as per the promulgated Government Gazettes. (Attached as **Annexure A**)

The adjustments to the 2020/2021 Operating budget are mainly due to the grant revenue adjustments. (Attached as **Annexure A**)

The adjustments to the 2020/2021 Balance sheet budgets are due to the adjustments on the Capital and Operating budgets.

The gross budgeted surplus of R 80 674 394 will increase to a gross budgeted surplus of R 83 243 405 including capital grants and development charges. The budgeted surplus excluding capital grants and development charges was R 1 448 054 and will increase to R 2 476 054. **It must be emphasized that the aforementioned surplus of R 2 476 054 is the more appropriate measurement of budgeted surpluses or deficits.**

2.1 ON THE EXPENDITURE SIDE

An increase in expenditure of R 198 989 due to the following:

- Employee related cost must decrease by R 200 000. A saving occurred as a result of the delayed appointment of the Library Manager due to the COVID pandemic;
- Operational cost must increase by R 200 000 due to the aforementioned saving that will be used to purchase new library books and material. (see the confirmatory email in this regard from the Department of Cultural Affairs and Sport as per **Annexure B**)
- Contracted services must increase by R 198 989 due to the reallocation of the RSEP Grant for the purchasing of trees in line with the planned recreational nodes.

2.2 ON THE INCOME SIDE

An increase in income of R 2 768 000 due to the following:

- Transfers Recognised – Operational must increase by R 1 226 989 mainly due to the additional funding for the Community Library Services Grant;
- Transfers Recognised – Capital must increase by R 1 541 011 mainly due to the additional funding for the MIG grant.

2.3 ON THE CAPITAL SIDE

An increase in capital expenditure of R 1 541 011 due to the following:

- Roads Swartland: Resealing of Roads must increase by R 1 740 000 due to the additional MIG funding received;
- Recreational Nodes must decrease by R 198 989 as the funding source must move to the operating budget.

IMPORTANT NOTE: Council and other stakeholders must take note that the final income and expenditure figures as reported in the B-schedules to National and Provincial Treasury, which form part of the budget documentation, will differ considerably from the figures mentioned in the table under recommendation (c), due to the fact that departmental charges are accounted for differently. The end result however in respect of the surplus remains unchanged.

Also note that the difference between the actual adjustment amounts listed above and the adjustment amounts in the B-schedule are because of virements within departments that now also forms part of the adjusted budget.

RECOMMENDATION (as recommended by the Executive Mayoral Committee on 22 April 2021)

- a) That the Budget Steering Committee convened urgently to consider the explanations and motivations provided by the CFO as it relates to the adjustments;
- b) That it be noted that the changes to the budget will have no impact on tariffs in respect of the 2020/2021 financial year or beyond but will result in an increase in budgeted surplus from R 1 448 054 to a budgeted surplus of R 2 476 054;
- c) That approval be granted to amend the high-level capital and operating budgets for 2020/2021 as follows:

	Original Budget 2020/21	Roll-Over Adj Budget 2020/21	Mid-Year Adj Budget 2020/21	Special Adj Budget 2020/21	Increase / Decrease	Original Budget 2021/22	Original Budget 2022/23
Capital budget	212 435 837	213 132 732	210 663 962	212 204 973	1 541 011	137 639 479	137 710 243
Operating Expenditure	810 670 080	811 033 080	812 208 752	812 407 741	198 989	889 949 652	924 976 102
Operating Revenue	882 786 413	890 266 902	892 883 145	895 651 145	2 768 000	928 907 555	998 866 120
Budgeted (Surplus)/ Deficit	(72 116 333)	(79 233 822)	(80 674 394)	(83 243 405)	(2 569 011)	(38 957 903)	(73 890 018)
Less: Capital Grants, Donations & Development Charges	86 863 600	81 163 089	79 226 340	80 767 351	1 541 011	28 897 050	66 713 153
(Surplus)/ Deficit	14 747 267	1 929 267	(1 448 054)	(2 476 054)	(1 028 000)	(10 060 853)	(7 176 865)

- d) That the adjusted budget schedules as required by the Budget and Reporting Regulations be approved as set out in **Annexure C**;
- e) That the Director: Financial Services adhere to the requirements of the Budget Circulars and Budget Reforms in the context of the reporting requirements to Provincial and National Treasury;
- f) That the Service Delivery Budget Implementation Plan (SDBIP) where appropriate be amended accordingly.

AANBEVELING (soos aanbeveel deur die Uitvoerende Burgemeesterskomitee op 22 April 2021)

- a) Dat die Begrotingsbeheerkomitee dringend vergader het om die verduidelikings en motivering van die Hoof Finansiële Beampte te oorweeg soos nodig gegewe die aansuiwerings;
- b) Dat dit in ag geneem moet word dat die veranderinge in die begroting geen impak op tariewe het ten opsigte van die 2020/2021 finansiële jaar nie maar sal lei tot 'n vermeerdering in die begrote surplus van R 1 448 054 na 'n begrote surplus van R 2 476 054;
- c) Dat goedkeuring verleen word om die hoë-vlak kapitaal- en bedryfsbegrotings vir 2020/2021 as volg te wysig:

	Oorspronklike Begroting 2020/21	Oorrol Aansuiwerings begroting 2020/21	Half-Jaar Aansuiwerings begroting 2020/21	Spesiale Aansuiwerings begroting 2020/21	Increase / Decrease	Oorspronklike Begroting 2021/22	Oorspronklike Begroting 2022/23
Kapitaalbegroting	212 435 837	213 132 732	210 663 962	212 204 973	1 541 011	137 639 479	137 710 243
Bedryfsuitgawes	810 670 080	811 033 080	812 208 752	812 407 741	198 989	889 949 652	924 976 102
Bedryfsinkomste	882 786 413	890 266 902	892 883 145	895 651 145	2 768 000	928 907 555	998 866 120
Begrote (Surplus)/ Tekort	(72 116 333)	(79 233 822)	(80 674 394)	(83 243 405)	(2 569 011)	(38 957 903)	(73 890 018)
Minus: Kapitaal Toekennings, Donasies & Ontwikkelingsbydraes	86 863 600	81 163 089	79 226 340	80 767 351	1 541 011	28 897 050	66 713 153
(Surplus)/ Tekort	14 747 267	1 929 267	(1 448 054)	(2 476 054)	(1 028 000)	(10 060 853)	(7 176 865)

- d) Dat die aangepaste begrotingskedules soos vereis deur die Begroting en Verslagdoening Regulasies goedgekeur word, soos in **Aanhangsel C** uiteengesit;
- e) Dat die Direkteur: Finansiële Dienste voldoen aan die vereistes van die Begrotingsomsendbriewe en –formate in die konteks van die verslagdoeningsvereistes aan Provinsiale en Nasionale Tesourie;
- f) Dat die Dienslewering – en Begroting Implementeringsplan (SDBIP) toepaslik dienoreenkomstig gewysig word.

(get) M Bolton

DIREKTEUR: Finansiële Dienste