

DRAFT MUNICIPAL ADJUSTMENT BUDGET (2018/2019) (CFO)

PURPOSE

To submit to the Executive Management Committee the Draft Municipal Adjustment Budget for the 2018/19 financial year in terms of Section 28 of the Municipal Finance Management Act no.56 of 2003 and the Municipal Budget and Reporting Regulations.

BACKGROUND

Council approved Annual Budget for the 2018/2019 financial year of R 2 653 704 150 as well as the Budget Related Policies of which the Budget Policy formed part of. On 1 July 2017 all municipalities were expected to comply with mSCOA Regulations.

The proposed pay rate was based at 70% for property rates and 60% for all other services, which was informed by past collection trends and debt collection initiatives. The average pay rate from consumer services for the first six (6) months of the financial year was 56%. The total income percentage for the first six months was also at 70%.

DISCUSSIONS

Section 28 of the Municipal Finance Management Act 56 of 2003 should be read with part four (4) of the Municipal Budget and Reporting Regulations. Section 23 of the Municipal Budget and Reporting Regulations states the timeframes for tabling of adjustment budgets. Section 23(1) of the Municipal Budget and Reporting Regulations states that an adjustment budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance has been tabled in council, but not later than 28 February of the current year.

The draft adjustment budget for the 2018/19 financial year is based on the actual amounts as at 31 December 2018, which is the first six(6) months of the year. The recommendations for an adjustment budget will therefore only be submitted after the finalization of the processes stated in the Municipal Finance Management Act 56 of 2003 and the Municipal Budget and Reporting Regulations.

Cognizance must also be taken of Section 23 (2) stating that only one adjustments budget referred to in subregulation (1) of the Municipal Budget and Reporting regulations may be tabled in the municipal council during the a financial year, except when additional revenues contemplated in section 28(2)(b) of the Act are allocation to a municipality in a national or provincial adjustments budget. The municipality has not received any additional revenues during the first six (6) months as stated above.

It must also be noted that the mSCOA Budget data strings be corrected as well as the virements performed during the financial year should be noted.

Section 26(6) (b) of the Municipal Budget and Reporting Regulations states that a special adjustments budget must be table in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a)(i) of the Act.

The consumer pay rate and total income collected was at 56% and 70% which is in line with the 60% budgeted pay rate. Cognizance must be taken off the fact that the municipality experienced unexpected challenges which had a negative impact on the overall service delivery and subsequently the revenue collection function of the municipality.

Description	Budget for the six months	Expected revenue for the six months	Actual for the six months	%
Revenue	1 014 523 075	608 713 845	496 201 805	48,91%
Grants & Subsidies	312 329 000	428 383 000	428 383 000	137,16%
Total Income	1 326 852 075	1 037 096 845	924 584 805	69,68%
Expenditure	1 161 144 819	694 414 685	721 620 699	29,90%
Salaries	381 732 091	362 645 486	349 763 441	91,63%
Water	239 486 739	119 743 369	6 698 696	2,80%
Electricity	220 126 664	132 075 998	161 229 467	73,24%
Other/Stationery,Telephone	319 799 325	79 949 831	203 929 095	12,97%
Net Surplus/(Deficit)	165 707 257	342 682 160	202 964 106	

FINANCIAL IMPLICATIONS

The Annual Adjustment Budget 2018/19 = R 2 653 704 150

Capital Budget 2017/18 = R 163 245 000

LEGAL IMPLICATIONS

Section 28(1) of the Municipal Finance Management Act no.56 of 2003 states that a municipality may revise an annual budget through an adjustment budget.

The adjustment budget –

- Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year.
- 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 budget for.
- May within a prescribed framework authorize unforeseeable and unavoidable expenditure recommended by the mayor of the Municipality.
- May authorize the utilization of projected savings in one vote towards spending under another vote.
- May authorize spending of funds that were unspent at the end of the past financial year were the under spending could not reasonably have been foreseen at the time to include projected rollovers when that annual budget for the current year was approved by council.
- May correct any error in the annual budget and
- May provide for any other expenditure within a prescribed framework.

Section 28(5) states that when an adjustment 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; and
- d) Any other supporting documentation that may be prescribed.

Municipal Budget and Reporting Regulations Part 4: Adjustment budgets of municipalities
Municipal Budget Policy Section 10

RECOMMENDATIONS

1. That the 2018/2019 Annual Budget remains unadjusted at R 2 653 704 150 .
2. That the virements between votes be approved.