

**C.15.12 APPROVAL OF AN ADJUSTMENTS BUDGET IN TERMS OF SECTION 28 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003) (MFMA) AND REGULATION 23 OF THE MUNICIPAL BUDGET AND REPORTING REGULATIONS, 2008
(5/1/16 & 3/2/5/15)**

PURPOSE OF SUBMISSION

That Council consider to approve an adjustments budget as contemplated in section 28(2)(b) and (e) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(3) and (5) of the Municipal Budget and Reporting Regulations, 2008 to appropriate additional revenue and to authorise the spending of funds that were unspent as at 30 June 2024.

BACKGROUND

*** **Additional Revenue**

The Cape Winelands District Municipality (CWDM) received additional funding from the Western Cape Government via its Department of Public Works in terms of Addendum 1 to the Memorandum of Agreement for the 2024/2025 financial year, dated 28 June 2024, attached as Annexure "F".

The Department of Transport and Public Works amended their 2024/2025 budget for work on proclaimed roads with R16 115 000 to make provision for additional costs in respect of Routine Maintenance and Re-gravel costs.

*** **Roll Overs**

Due to unforeseen circumstances expenditure against several capital projects could not be expensed according to the approved capital budget of the 2023/2024 financial year. Annexure "D" indicate the required roll overs to be approved.

COMMENT

An adjustments budget, contemplated in section 28(2)(b) and (e) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), may authorise:

- (a) Appropriate additional revenues that have become available over and above those anticipated the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- (b) Authorise the spending of funds that were unspent at the end of the past financial year where the under-spending 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.

In addition, regulation 23(3) and (5) of the Municipal Budget and Reporting Regulations, 2008 (published in Government Gazette No. 32141 on 17 April 2009), determined the timeframes for the tabling of the said special adjustments budget as follows:

- (a) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.
- (b) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.

Adjustments to the budget are reflected in:

- (a) Annexures "A" (Revised Schedule B Budget Document);
- (b) Annexure "B" reflects a summary of the Total Operating Budget before the requested adjustments;
- (c) Annexure "C" reflects a summary of the Total Operating Budget should the requested adjustments be approved;
- (d) "D" (Revised Capital Budget);
- (e) "E" (Revised Schedule B supporting documents); and
- (f) Annexure "F" (Addendum to the MOA of the 2024/2025 financial year).

IMPLICATIONS

PERSONNEL

None.

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

FINANCIAL

The financial implications have been addressed under "BACKGROUND" and "COMMENT" above.

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

LEGAL

Section 28 of the MFMA prescribes that:

- (1) A municipality may revise an approved annual budget through an adjustments budget.
- (2) 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 have been 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; and
 - (g) may provide for any other expenditure within a prescribed framework.
- (3) An adjustments budget must be in a prescribed form.
- (4) 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.
- (5) 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; and
- (d) any other supporting documentation that may be prescribed.

Section 69(1) and (2) of the MFMA, Budget implementation, states that:

- (1) The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure –
 - (a) that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and
 - (b) that revenue and expenditure are properly monitored.
- (2) When necessary, **the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.**

Comment prepared by: Ms. S.S. Sanders

RECOMMENDATION BY EXECUTIVE MAYOR:

That Council consider to appropriate additional revenue and to approve the spending of funds that were unspent as at 30 June 2024, as reflected in Annexures "A", "B", "C", "D", "E" and "F" in terms of section 28(2)(b) and (e) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(3) and (5) of the Municipal Budget and Reporting Regulations, 2008.

COUNCIL MEETING: 25 JULY 2024: ITEM C.15.12

RESOLVED (37 Councillors) :

That the appropriation of additional revenue and the spending of funds that were unspent as at 30 June 2024, as reflected in Annexures "A", "B", "C", "D", "E" and "F" in terms of section 28(2)(b) and (e) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(3) and (5) of the Municipal Budget and Reporting Regulations, 2008, be approved.