

**CC
25/2019**

ADJUSTMENT BUDGET 2018/19

(ITEM 3.4 PP 125-192 – CC 28/02/2019)

NOTE:

- The Executive Mayor presented a summary of the budget in the form of a Budget Speech.
- Councillors from the DA and FF+ requested that their dissenting vote be noted against the resolution in terms of Section 32.2 (a) of the Council's Rules of Order.

RESOLVED

- a) That Council approves the Adjustments Budget 2018/19 as per the attached document in terms of section 28 of the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations.
- b) That the 2018/19 Budget be adjusted as allowed for in the MFMA Municipal Budget and Reporting Regulations as per the following tables as contained in the annexure to this report:
 - Table B1 – Adjustments Budget Summary 2018/2019
 - Table B2 – Adjustments Budget Financial Performance Standard Classification
 - Table B3 - Adjustments Budget Financial Performance Revenue and Expenditure by Municipal Vote
 - Table B4 - Adjustments Budget Financial Performance Revenue and Expenditure
 - Table B5 – Adjustments Capital Budget by Vote and Funding
 - Table B6 – Adjustments Budget Financial Position
 - Table B7 – Adjustments Budget Cash Flow
 - Table B8 – Cash Backed Reserves and Accumulated Surplus Reconciliation
 - Table B9 – Asset Management
 - Table B10 – Basic Service Delivery Measurement
- c) That the 2018/19 Service Delivery Budget Implementation Plan (SDBIP) and the Measurable Performance Objectives be adjusted in line with the adjustment budget set out in the B tables.
- d) That the Adjustment Budget B schedules 2018/19 be submitted to National Treasury and Provincial Treasury, within 10 days after approval as per the MFMA.
- e) That Council take cognisance that there are plans and initiatives in place reduce the budget deficit and ultimately approving a funded budget as per the North West circular No.1 of 2018/2019 financial year:
 - Revenue Enhancement Strategy Committee that will assist the municipality to implement revenue management initiatives
 - Strict implementation and monitoring of credit control and debt collection policies
 - Revenue enhancement strategy
 - Public Safety revenue
 - Approving cost reflective tariffs
 - Distribution losses report

- Repairs and maintenance plan which will improve our assets and reduce depreciation of our assets from R428 million to an acceptable level with National Treasury Norms and Standards
- Creditors payment plan
- Develop and implement austerity measures to curb spending on wasteful expenditures
- Table budget related policies; Expenditure Management Policy, Cost Containment Policy, Inventory Management Policy and Unauthorised, Irregular, Wasteful and Fruitless Expenditure
- Data cleansing

MAYORS' REPORT ON THE CITY OF MATLOSANA

ADJUSTMENT BUDGET 2018/19

BACKGROUND

The Municipal Manager who is the Accounting Officer is directed by the Services Delivery and Budget Implementation Plan as well as the financial performance for the year, as required in terms of section 72(3)(a) of the Municipal Finance Management Act, Act 56 of 2003 are legal basis as part of the annual assessment on performance in terms of that the Accounting Officer to make recommendations as to whether an adjustment budget is **necessary or not**. Based on the assessment done it is necessary to pass the Adjustment Budget.

In terms of section 28(2) of the Municipal Finance Management Act, Act 56 of 2003, and taking into account New Budget Regulations proclaimed in April 2009, an Adjustment Budget can only be used for specific purposes as outlined from subsections 28(2)(a) to 28(2)(f);

The proposed Adjustment budget documents were compiled as per discussion and resolution from the Top Management meeting that was held on 15 February 2019 and the Budget Steering Committee meeting that was held on 20 February 2019 and also in MAYCO

On Administrative Issues

The Municipal Manager will as Accounting Officer reflect and give amplification on all administrative issues that pertain to this adjustment budget 2018/19.

As Executive Mayor I will focus on high level service delivery issues that will have impact to communities served by this municipality.

Highlights on the Revenue By Source budget:

Services charges for Water, Sanitation & Refuse removal and property rates were reduced to make it more realistic based on the mid-year performance.

Service charges electricity has a slight increase. The total reduction revenue from services charges and property rates will be R144 million. The revenue from Rentals of facilities and equipment, Fines, penalties and other revenue were reduced as per request from the departments.

Increase in outstanding debtors have been increase as per the mid-year assessment result, a big part of this interest will be provide for as bad debt.

The Total revenue will decrease by R28.83 million from R2.72 billion to an adjusted R2,69 billion.

Highlights on the Expenditure By Vote budget:

It must be highlighted that the changes to the expenditure budget is mainly funded by budget transfer request from the various departments within the municipality.

During the adjustment budget departments are encourage to do budget transfer from savings instead of requesting new items.

Employee cost will decrease by R7. 85 million as a result of savings from unfilled position. However overtime remains a challenge that need to be closely monitored.

Remuneration of councillors will slightly increase to avoid over expenditure in line with the approved upper limits.

Repairs and maintenance will increase with R35,6 million for Roads, Water and Sanitation, contracted services and other expenditure.

Depreciation, Finance charges and debt impairment will remain unchanged.

Total expenditure will increase with R28. 3 million from R3.11 billion to R3.14 billion

As a result of the revenue and expenditure adjustments the non-cash deficit will increase to R 295.36 million.

The budgeting for a deficit in various municipalities is a concern for National & Provincial Treasury . Hence the circular from the Provincial Treasury to municipalities to put plans in place to rectify the matter, to improve from unfunded budget to funded budget.

The Capital budget

The changes to the capital budget consist of the following:

- To accommodate the approved 2017/18 roll-overs of R20 million which means spending is 65%.
- Request from PMU to shift funds between projects as per the MIG revised implementation plan.
- An increase in Council funded capital of R2.5 million to R 24 million to buy service delivery vehicles.
- The removal of the R 30 million loan that did not materialised.
- Additional funding of R7,4 million for NDPG projects.

The Budget & treasury office have also updated the tables on cash flow and financial performance in line with the 2017/18 audit outcome.

As a compliment to the unqualified audit opinion for the 2017/18 financial year we need to run a tight ship by not dropping but surpassing the standards that has already been set. All departments should complement the Treasury by also putting in place the following strategies:

1. Annual Procurement Plans is in place
2. Maintenance Expenditure Plans to be tabled on the 31 March 2019 when Council table the 2019/20 Draft Budget

The budget adjustment for 2018/19 should be approved with considerations of expediting service delivery as well as enhancing the capability of Matlosana Municipality to generate additional revenue from reselling of water and electricity and licences.