



**THIRD ADJUSTMENT BUDGET
2020/2021**

1. INTRODUCTION

Section 72(1) of the Municipal Finance Management Act (MFMA) requires from the Accounting Officer of the Municipality, to submit a mid-year budget assessment report to the Mayor before the 25th of January each year on the state of the municipality's budget based on the section 71 reports submitted; the municipality's service delivery performance during the first half of the financial year taking the service delivery targets and performance indicators set in the service delivery and budget implementation plan into account; and, the previous year's (2019/2020) annual report.

Section 28 of the MFMA determines 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 format [Schedules B1 to B10 attached as Appendix A to the Adjustments Budget Report]. Adjustments Budget 2020/21.

(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 and frequency [before 28 February 2021].

(5) When an adjustments budget is tabled, it must be accompanied with –

- 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 budget for the next two financial years; and
- d) Any other supporting documentation that may be prescribed.

(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.”

The annual operating and capital budget have been evaluated and adjusted based on the abovementioned legislative requirements.

Section 54 of the MFMA requires of the Mayor to consider the Section 71 and 72 reports and to take appropriate action, if needed, to ensure that the approved budget is implemented in accordance with the SDBIP. Section 23(1) of the Municipal Budget and Reporting Regulations determines that – “An adjustments 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 assessment has been tabled in the council, but not later than 28 February of the current year.”

2. THIRD ADJUSTMENT BUDGET 2020/2021

This report is a summary of the main budget issues arising from the monitoring process. It compares the process of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). No taxes or tariffs are to be adjusted.

The table below is the original budget and the proposed adjustment for the 2020/2021.

Description	Total Budget 2020/2021 R'000	Adjustment Budget 2020/2021	3 rd Adjustment Budget 2020/2021
Total Revenue (Excluding Capital Transfers)	R 116 831	R 116 715	R 116 715
Total Operating Expenditure	R 116 455	R 116 205	R 116 205
Total Capital Expenditure	R 19 020	R 21 845	R 53 247

The third adjustment budget for the 2020/21 financial year was due to re-allocation received for the MIG and WSIG grant, R 16 402 000 and R 15 000 000 respectively. Capital expenditure increases to R 53 247 000 due to this.

3. RECOMMENDATION

3.1 That council approves the Third Adjustment Budget 2020/2021 as 28 & 72 of the Municipal Finance Management Act No 56 of 2003.

3.2 That Third Adjustment Budget to be referred to relevant committees for consideration.