

**CONSIDERATION AND APPROVAL OF THE ADJUSTMENT BUDGET 2020/2021
AND INDICATIVE FOR THE PROJECTED TWO OUTER YEARS 2021/2022 AND
2022/2023**

English is the original version

PURPOSE OF REPORT

This report serves to submit the 2020/2021 and indicative two outer year's annual adjustment budget for approval.

BACKGROUND

Section 29 of the Municipal Finance Management Act. No 56 of 2003 states:

- (1) The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

In accordance with section 71 (1) of the Municipal Budget and Reporting Regulation:

- (1) *The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if:*
 - (a) *the expenditure could not have been foreseen at the time the annual budget of the municipality was passed*
 - (b) *the delay that will be caused pending approval of an adjustment budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure*

DISCUSSION

On Friday, 19 March 2021, an unfortunate unforeseen and unavoidable incident occurred at the Pineview pump station in Grabouw.

The Pineview pump station consist of two pumps, however on Wednesday 17 March 2021 the duty pump has malfunctioned. Greyton Electrical was immediately contacted and informed the municipality that the pump has failed due to an electrical phase failure on the Eskom supply.

Friday afternoon, 19 March 2021, the remaining standby pump was also not working. Greyton Electrical was requested to investigate the matter with the hopes that this was only an electrical issue on the electrical control panel, however they informed the municipality that the pump was critically damaged due to rocks in the sump which caused the casing to crack and allowed water into the electrical components.

In order to contain and prevent raw sewer from spilling into the adjacent Swannies river, an call had to be made for the emergency vacuum trucks with sufficient capacity to maintain the sump level and prevent spillage. It was requested Aqua Plant Hire to support the municipality as they were already an approved year tender supplier. The vacuum truck operation was required 24/7 until one of the pumps could be restored which was achieved by Monday 22 March 2021.

Considering the immense amount of sewer that would've spilled into the Swannie's river and the environmental responsibility of the municipality that could lead to environmental fines by the Department of Environmental affairs, this could not wait but had to be reacted on immediately to avoid/reduce contamination.

The sewer contamination could be contained, however such actions came with a cost and long hours of commitment by the staff and service providers. The service providers assisted the municipality in good faith and underwent expenses, however expect payment for the services provided.

In terms of Section 29 of the Municipal Finance Management Act, 2003 (MFMA) the mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

Currently, there are unspent funds on the Roads and Stormwater budget. The available funds are R 659 089 and R 325 003.96 (refer **Annexure A**) respectively. It was indicated that the shortfall can be funded from these votes. The invoice for the services rendered can however not be paid directly from the aforementioned votes. It is therefore proposed to transfer R 620 thousand from vote number 01 2512 2 7573 0 and R 325 thousand from vote number 01 2512 2 9025 0 to vote number 01 6011 2 7571 0 in order for the municipality to pay the invoices.

This request is therefore for the mayor to approve the transfer of the funds as described above.

LEGAL RESPONSIBILITIES

Section 28 of the Municipal Finance Management Act, 56 of 2003 and section 23 (4) of the Municipal Budget and Reporting Regulations.

Section 29 of the Municipal Finance Management Act. No 56 of 2003.

FINANCIAL IMPLICATIONS

As contained in the detail report.

RECOMMENDATION

- 1. That the Council considers the report and adopts the Adjustment Budget report.**

Table of Contents

1	Part 1 – Adjustment Budget	2
	1.1 Mayor' report	2
	1.2 Budget related resolutions	2
	1.3 Executive summary	3
	1.4 Adjustment budget tables	4
2	Supporting documentation	4
	2.1 Adjustment to budget assumptions	4
	2.2 Adjustment to budget funding	4
	2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)	4
	2.4 Municipal Manager's quality certification	4
3	Quality Certificate	5

1 Part 1 – Adjustment Budget

1.1 Mayor' report

Section 29 of the Municipal Finance Management Act. NO 56 of 2003 states:

- (1) (The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

In accordance with section 71 (1) of the Municipal Budget and Reporting Regulation:

- (1) *The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if:*
 - (a) *the expenditure could not have been foreseen at the time the annual budget of the municipality was passed;*
 - (b) *the delay that will be caused pending approval of an adjustment budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure.*

In line with the MFMA, the 2020/21 approved Budget has now been adjusted. The adjustment has been mainly necessitated as a result of the following:

- Prevention of sewerage spilling into the Swannies River caused by various pump failures at the Pineview pump station in Grabouw. (Section 29 of the MFMA – Unforeseeable and unavoidable expenditure)

The Municipal Budget and Reporting Regulations, which were promulgated by National Treasury, prescribe the budget reporting formats for municipalities. Accordingly this Municipality's 2020/21 Adjustments budget has been presented in accordance with these reporting formats.

The Adjustments Budget reaffirms the Municipality's commitment to achieve the service delivery targets and performance indicators as reflected in the approved service delivery and budget implementation plan.

1.2 Budget related resolutions

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires the municipality to table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by Municipal Budget and Reporting Regulations.

The following resolutions are put before council for consideration and approval:

THAT

1. The adjustments budget for the financial year 2020 – 2021 be approved as contained in the listed Tables B1 – B10 detailed below:

- ❖ **Table B1 – Adjustments Budget Summary**
- ❖ **Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)**
- ❖ **Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)**
- ❖ **Table B4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)**
- ❖ **Table B5 – Adjustments Capital Expenditure by Vote, Standard classification and Funding**
- ❖ **Table B6 – Adjustments Budgeted Financial Position**
- ❖ **Table B7 – Adjustments Budgeted Cash Flow**
- ❖ **Table B8 – Cash backed reserves/Accumulated surplus reconciliation**
- ❖ **Table B9 – Asset Management**
- ❖ **Table B10 – Basic service delivery measurement**

1.3 Executive summary

Introduction

This MTREF 2020 – 2021 adjustments budget is prepared on a multi-year basis, in line with the MFMA Municipal Budget and Reporting Regulations.

1.4 Adjustment budget tables

- ❖ Table B1 – Adjustments Budget Summary
- ❖ Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)
- ❖ Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
- ❖ Table B4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)
- ❖ Table B5 – Adjustments Capital Expenditure by Vote, Standard classification and Funding
- ❖ Table B6 – Adjustments Budgeted Financial Position
- ❖ Table B7 – Adjustments Budgeted Cash Flow
- ❖ Table B8 – Cash backed reserves/Accumulated surplus reconciliation
- ❖ Table B9 – Asset Management
- ❖ Table B10 – Basic service delivery measurement

2 Supporting Information

2.1 Adjustment to budget assumptions

The budget assumptions which informed the approved 2020/21 Budget have been maintained.

2.2 Adjustment to budget funding

The sources of funding of the municipality's budget have not changed in the current financial year. As reported the adjustments budget is mainly funded by own revenue and external loans.

2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)

The Accounting officer will submit for approval by the Executive Mayor revised SDBIP's based on the adjustments being approved.

2.4 Municipal Manager's quality certification

The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 31 May 2021.