

**O. R. TAMBO DM  
BUDGET AND TREASURY OFFICE**

# **SPECIAL BUDGET ADJUSTMENT**

---

**PREPARED FOR COUNCIL**

**OCTOBER 2019**

# REPORT ON SPECIALADJUSTMENT BUDGET FOR 2019/20 AND 2021 -2022 MEDIUM

## TERM REVENUE AND EXPENDITURE FRAMEWORK

### **1. SUBJECT:- SPECIAL BUDGET 2019/20 and two outer years**

In accordance with section 28(2)(b) the municipality 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.

MFMA Budget Regulation 23 (2) stipulates that only one budget adjustment may be tabled to the council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to the municipality in national or provincial budget adjustment.

MFMA Budget Regulation 23 (3) requires that if National or Provincial adjustments budget allocates or transfers additional revenues to the 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.

### **2. PURPOSE AND BACKGROUND**

Additional funding allocation of R47.2 million from Department of Human Settlements in Eastern Cape province was approved for the **Mabhulwini and Mbokazi 259** low cost housing. The purpose this memorandum is to request the approval of the adjustment budget taking into account the allocation. This is the total funding for the project and the municipality is an implementing agent meaning the provincial department will hold the allocation until the service provider claims. . The municipality will receive the allocation in piece meal after the service provider rendered the services and claimed in the provincial human settlements department. After the receipt of the allocation, the service provider will be paid by the municipality to the value of the allocation at that time.

### **3. SUMMARY**

This report was prepared in accordance with in accordance with section 28 (2) (b) and MFMA Budget Regulation 23 (2) and (3).

This adjustment will affect Operational revenue and expenditure, it will no impact on Capital revenue as well as Capital expenditure.

## Funding of the budget

In terms of section 18 of chapter 4 of MFMA, an annual budget may only be funded from-

- a) realistically anticipated revenues to be collected;
- b) cash-backed accumulated funds from previous years surpluses not committed for other purposes; and
- c) borrowed funds, but only for the capital budget referred to in section 17 (2)

Regulation 10 of the Municipal Budget Reporting Regulations states that:

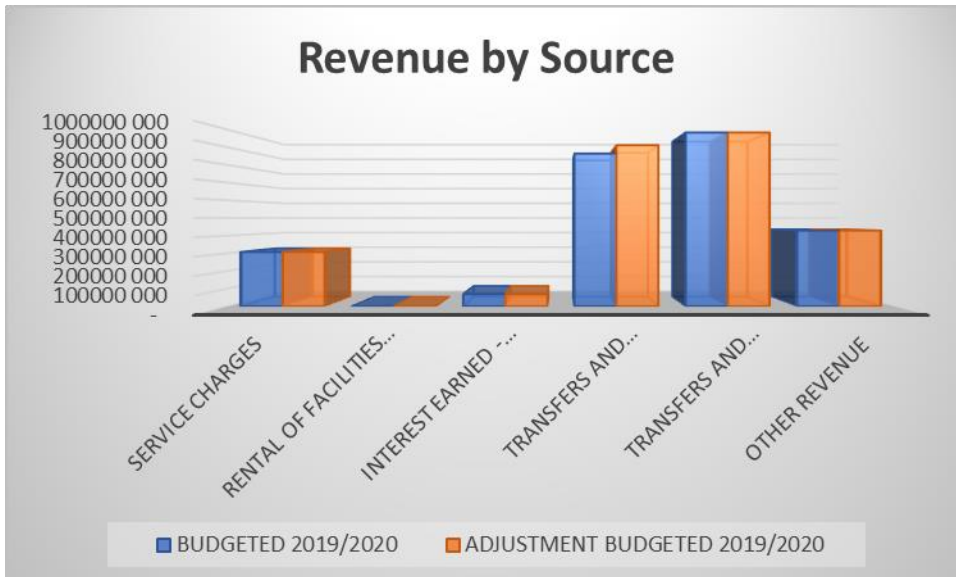
- (1) The funding of the annual budget must :-
  - (a) Be estimated in accordance with the assumptions and methodologies set out in the funding and reserves policy.
  - (b) Be consistent with the trends, current and past of actual funding collected or received.

Revenue composed of the following:-

DESCRIPTION	BUDGETED 2019/2020	Adjustment	ADJUSTMENT BUDGETED 2019/2020	BUDGETED 2020/2021	BUDGETED 2021/2022
Service charges	307 474 028		307 474 028	335 146 691	365 309 893
Rental of facilities and equipment	60 984		60 984	64 278	67 749
Interest earned - Investments and Debtors	69 382 200		69 382 200	69 315 576	72 607 639
Transfers and subsidies - Operating	863 952 000	47 250 730	911 202 730	920 935 000	991 442 000
Transfers and subsidies - Capital	982 905 000		982 905 000	795 113 000	940 657 000
Other revenue	428 674 336		428 674 336	429 109 993	348 605 491
	<b>2 652 448 549</b>	<b>47 250 730</b>	<b>2 699 699 279</b>	<b>2 549 684 538</b>	<b>2 718 689 772</b>

Revenue from grants has been adjusted by R47 million being an additional funding allocated to Grants – Low cost Housing under the human settlements.

## Graphic Illustration of revenue



Operating expenditure comprises of the following:-

DESCRIPTION	BUDGETED 2019/2020	Adjustment	ADJUSTMENT BUDGETED 2019/2020	BUDGETED 2020/2021	BUDGETED 2021/2022
Employee related costs	625 439 701		625 439 701	625 439 701	625 439 701
Remuneration of councillors	22 659 099		22 659 099	22 659 099	22 659 099
Debt impairment	92 405 456		92 405 456	92 405 456	92 405 456
Depreciation & asset impairment	170 471 570		170 471 570	179 421 962	188 855 675
Bulk purchases	41 145 000		41 145 000	43 366 830	45 708 639
Other materials	24 758 781		24 758 781	26 095 756	27 504 926
Contracted services	206 416 702		206 416 702	239 520 028	220 833 657
Transfers and subsidies	48 646 141	47 250 730	95 896 871	50 911 642	53 290 088
Other expenditure	282 773 145		282 773 145	294 354 436	310 264 242
	<b>1 514 715 597</b>	<b>47 250 730</b>	<b>1 561 966 327</b>	<b>1 574 174 911</b>	<b>1 586 961 484</b>

The analysis as per line items is explained as follows:

**Personnel Expenditure:**

No adjustment made

**Bulk Purchases**

No adjustment made

**Repairs and Maintenance**

No adjustment made

**Contracted Services**

No adjustment made

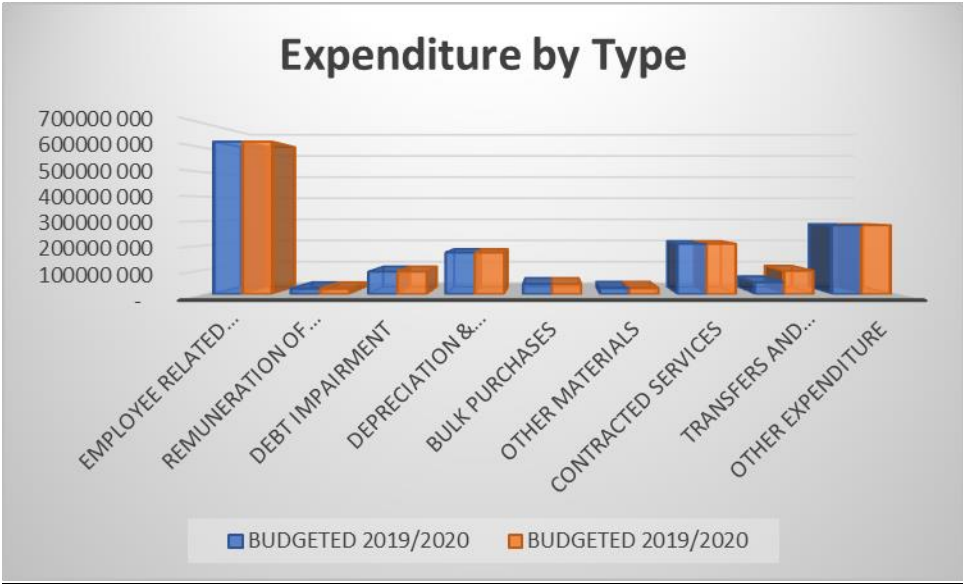
**Grants and Subsidies paid**

Adjustment upwards of R47.2 million on the low cost housing

**Other Expenditure :-**

No adjustment made

Graphic Illustrations



Extract from B Schedule – table B2

Standard Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1, 4	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
<b>Revenue - Functional</b>												
<b>Governance and administration</b>		526 534	-	-	-	-	-	-	-	526 534	521 357	552 624
Executive and council		203 946	-	-	-	-	-	-	-	203 946	209 796	222 638
Finance and administration		314 029	-	-	-	-	-	-	-	314 029	302 457	320 303
Internal audit		8 559	-	-	-	-	-	-	-	8 559	9 103	9 682
<b>Community and public safety</b>		124 239	-	-	-	-	47 251	-	47 251	171 490	136 158	144 740
Community and social services		44 317	-	-	-	-	-	-	-	44 317	49 210	52 286
Sport and recreation		11 213	-	-	-	-	-	-	-	11 213	11 874	12 575
Public safety		30 760	-	-	-	-	-	-	-	30 760	34 853	37 080
Housing		16 118	-	-	-	-	47 251	-	47 251	63 368	16 965	18 026
Health		21 832	-	-	-	-	-	-	-	21 832	23 256	24 773
<b>Economic and environmental services</b>		207 528	-	-	-	-	-	-	-	207 528	223 122	234 250
Planning and development		167 873	-	-	-	-	-	-	-	167 873	182 223	190 148
Road transport		24 828	-	-	-	-	-	-	-	24 828	26 221	28 578
Environmental protection		14 828	-	-	-	-	-	-	-	14 828	14 678	15 524
<b>Trading services</b>		1 640 260	-	-	-	-	-	-	-	1 640 260	1 542 182	1 678 490
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		1 640 260	-	-	-	-	-	-	-	1 640 260	1 542 182	1 678 490
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		6 819	-	-	-	-	-	-	-	6 819	7 441	7 888
<b>Total Revenue - Functional</b>	2	2 505 381	-	-	-	-	47 251	-	47 251	2 552 632	2 430 261	2 617 991
<b>Expenditure - Functional</b>												
<b>Governance and administration</b>		526 534	-	-	-	-	-	-	-	526 534	521 357	552 624
Executive and council		203 946	-	-	-	-	-	-	-	203 946	209 796	222 638
Finance and administration		314 029	-	-	-	-	-	-	-	314 029	302 457	320 303
Internal audit		8 559	-	-	-	-	-	-	-	8 559	9 103	9 682
<b>Community and public safety</b>		124 239	-	-	-	-	47 251	-	47 251	171 490	136 158	144 740
Community and social services		44 317	-	-	-	-	-	-	-	44 317	49 210	52 286
Sport and recreation		11 213	-	-	-	-	-	-	-	11 213	11 874	12 575
Public safety		30 760	-	-	-	-	-	-	-	30 760	34 853	37 080
Housing		16 118	-	-	-	-	47 251	-	47 251	63 368	16 965	18 026
Health		21 832	-	-	-	-	-	-	-	21 832	23 256	24 773
<b>Economic and environmental services</b>		199 113	-	-	-	-	-	-	-	199 113	212 626	225 751
Planning and development		162 570	-	-	-	-	-	-	-	162 570	175 018	185 121
Road transport		21 716	-	-	-	-	-	-	-	21 716	22 930	25 106
Environmental protection		14 828	-	-	-	-	-	-	-	14 828	14 678	15 524
<b>Trading services</b>		658 009	-	-	-	-	-	-	-	658 009	746 603	737 350
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		658 009	-	-	-	-	-	-	-	658 009	746 603	737 350
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		6 819	-	-	-	-	-	-	-	6 819	7 441	7 888
<b>Total Expenditure - Functional</b>	3	1 514 716	-	-	-	-	47 251	-	47 251	1 561 966	1 624 185	1 668 352
<b>Surplus/ (Deficit) for the year</b>		990 665	-	-	-	-	-	-	-	990 665	806 076	949 640

Extract from B schedule – Table B3

Vote Description  [Insert departmental structure etc]	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjus.	Adjus.	Budget	Budget	Budget
		3	4	5	6	7	8	9	10			
		A	A1	B	C	D	E	F	G	H		
<b>Revenue by Vote</b>	1											
Vote 1 - COUNCIL AND COMMITTEES		221 893	-	-	-	-	-	-	-	221 893	228 834	242 833
Vote 2 - FINANCIAL AND ADMINISTRATION		306 554	-	-	-	-	-	-	-	306 554	294 558	311 956
Vote 3 - PLANNING AND DEVELOPMENT		165 960	-	-	-	-	-	-	-	165 960	180 188	187 983
Vote 4 - HEALTH		21 832	-	-	-	-	-	-	-	21 832	23 256	24 773
Vote 5 - COMMUNITY AND SOCIAL SERVICES		15 361	-	-	-	-	-	-	-	15 361	16 317	17 332
Vote 6 - HOUSING		16 118	-	-	-	-	47 251	-	47 251	63 368	16 965	18 026
Vote 7 - PUBLIC SAFETY		59 716	-	-	-	-	-	-	-	59 716	67 746	72 034
Vote 8 - SPORTS AND RECREATION		11 213	-	-	-	-	-	-	-	11 213	11 874	12 575
Vote 9 - ENVIRONMENTAL		14 828	-	-	-	-	-	-	-	14 828	14 678	15 524
Vote 10 - ROADS		24 828	-	-	-	-	-	-	-	24 828	26 221	28 578
Vote 11 - WATER		1 640 260	-	-	-	-	-	-	-	1 640 260	1 542 182	1 678 490
Vote 12 - TOURISM		6 819	-	-	-	-	-	-	-	6 819	7 441	7 888
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>2 505 381</b>	-	-	-	-	<b>47 251</b>	-	<b>47 251</b>	<b>2 552 632</b>	<b>2 430 261</b>	<b>2 617 991</b>
<b>Expenditure by Vote</b>	1											
Vote 1 - COUNCIL AND COMMITTEES		221 893	-	-	-	-	-	-	-	221 893	228 834	242 833
Vote 2 - FINANCIAL AND ADMINISTRATION		306 554	-	-	-	-	-	-	-	306 554	294 558	311 956
Vote 3 - PLANNING AND DEVELOPMENT		160 657	-	-	-	-	-	-	-	160 657	172 983	182 956
Vote 4 - HEALTH		21 832	-	-	-	-	-	-	-	21 832	23 256	24 773
Vote 5 - COMMUNITY AND SOCIAL SERVICES		15 361	-	-	-	-	-	-	-	15 361	16 317	17 332
Vote 6 - HOUSING		16 118	-	-	-	-	47 251	-	47 251	63 368	16 965	18 026
Vote 7 - PUBLIC SAFETY		59 716	-	-	-	-	-	-	-	59 716	67 746	72 034
Vote 8 - SPORTS AND RECREATION		11 213	-	-	-	-	-	-	-	11 213	11 874	12 575
Vote 9 - ENVIRONMENTAL		14 828	-	-	-	-	-	-	-	14 828	14 678	15 524
Vote 10 - ROADS		21 716	-	-	-	-	-	-	-	21 716	22 930	25 106
Vote 11 - WATER		658 009	-	-	-	-	-	-	-	658 009	746 603	737 350
Vote 12 - TOURISM		6 819	-	-	-	-	-	-	-	6 819	7 441	7 888
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>1 514 716</b>	-	-	-	-	<b>47 251</b>	-	<b>47 251</b>	<b>1 561 966</b>	<b>1 624 185</b>	<b>1 668 352</b>
<b>Surplus/ (Deficit) for the year</b>	2	<b>990 665</b>	-	-	-	-	-	-	-	<b>990 665</b>	<b>806 076</b>	<b>949 640</b>

Extract from B Schedule – Table B4

Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	214 245	-	-	-	-	-	-	-	214 245	233 527	254 545
Service charges - sanitation revenue	2	93 229	-	-	-	-	-	-	-	93 229	101 620	110 765
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		61								61	64	68
Interest earned - external investments		39 382								39 382	40 116	41 500
Interest earned - outstanding debtors		30 000								30 000	31 800	33 708
Dividends received		-								-	-	-
Fines, penalties and forfeits		-								-	-	-
Licences and permits		-								-	-	-
Agency services		-								-	-	-
Transfers and subsidies		863 952					47 251		47 251	911 203	920 935	991 442
Other revenue	2	281 567	-	-	-	-	-	-	-	281 567	307 046	245 267
Gains on disposal of PPE		40								40	40	40
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 522 476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47 251</b>	<b>-</b>	<b>47 251</b>	<b>1 569 727</b>	<b>1 635 148</b>	<b>1 677 334</b>
<b>Expenditure By Type</b>												
Employee related costs		625 440	-	-	-	-	-	-	-	625 440	668 953	713 467
Remuneration of councillors		22 659								22 659	24 166	25 773
Debt impairment		92 405								92 405	97 395	82 655
Depreciation & asset impairment		170 472								170 472	179 422	188 856
Finance charges		39								39	42	47
Bulk purchases		41 145								41 145	43 367	45 709
Other materials		24 759								24 759	26 096	27 505
Contracted services		206 417								206 417	239 520	220 834
Transfers and subsidies		48 646					47 251		47 251	95 897	50 912	53 290
Other expenditure		282 735								282 735	294 312	310 218
Loss on disposal of PPE		-								-	-	-
<b>Total Expenditure</b>		<b>1 514 716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47 251</b>	<b>-</b>	<b>47 251</b>	<b>1 561 966</b>	<b>1 624 185</b>	<b>1 668 352</b>
<b>Surplus/(Deficit)</b>												
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		7 760								7 760	10 963	8 983
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all))		982 905								982 905	795 113	940 657
<b>Surplus/(Deficit) before taxation</b>		<b>990 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>990 665</b>	<b>806 076</b>	<b>949 640</b>
Taxation												
<b>Surplus/(Deficit) after taxation</b>		<b>990 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>990 665</b>	<b>806 076</b>	<b>949 640</b>
Attributable to minorities												
<b>Surplus/(Deficit) attributable to municipality</b>		<b>990 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>990 665</b>	<b>806 076</b>	<b>949 640</b>
Share of surplus/ (deficit) of associate												
<b>Surplus/ (Deficit) for the year</b>		<b>990 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>990 665</b>	<b>806 076</b>	<b>949 640</b>

Capital Expenditure

DESCRIPTION	BUDGETED 2019/2020	Adjustment	ADJUSTMENT BUDGETED 2019/2020	BUDGETED 2020/2021	BUDGETED 2021/2022
Capital Expenditure	1 129 972 533	-	1 129 972 533	917 136 779	1 043 955 660

No Adjustments for the capital expenditure



Extract from Schedule B – Table B5

Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjus.	Adjus.	Budget	Budget	Budget
R thousands	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H			
<b>Single-year expenditure to be adjusted</b>	2											
Vote 1 - COUNCIL AND COMMITTEES		2 000	-	-	-	-	-	-	-	2 000	2 000	-
Vote 2 - FINANCIAL AND ADMINISTRATION		21 836	-	-	-	-	-	-	-	21 836	10 154	8 612
Vote 3 - PLANNING AND DEVELOPMENT		6 745	-	-	-	-	-	-	-	6 745	5 780	4 459
Vote 4 - HEALTH		120	-	-	-	-	-	-	-	120	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - HOUSING		3 545	-	-	-	-	-	-	-	3 545	45	45
Vote 7 - PUBLIC SAFETY		8 000	-	-	-	-	-	-	-	8 000	5 500	5 500
Vote 8 - SPORTS AND RECREATION		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - ENVIRONMENTAL		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - ROADS		48 112	-	-	-	-	-	-	-	48 112	13 291	3 472
Vote 11 - WATER		1 039 614	-	-	-	-	-	-	-	1 039 614	880 367	1 021 867
Vote 12 - TOURISM		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>1 129 973</b>	-	-	-	-	-	-	-	<b>1 129 973</b>	<b>917 137</b>	<b>1 043 956</b>
<b>Total Capital Expenditure - Vote</b>		<b>1 129 973</b>	-	-	-	-	-	-	-	<b>1 129 973</b>	<b>917 137</b>	<b>1 043 956</b>
<b>Capital Expenditure - Functional</b>												
<b>Governance and administration</b>		<b>23 836</b>	-	-	-	-	-	-	-	<b>23 836</b>	<b>12 154</b>	<b>8 612</b>
Executive and council		2 000	-	-	-	-	-	-	-	2 000	2 000	-
Finance and administration		21 836	-	-	-	-	-	-	-	21 836	10 154	8 612
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		<b>11 665</b>	-	-	-	-	-	-	-	<b>11 665</b>	<b>5 545</b>	<b>5 545</b>
Community and social services		-	-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		8 000	-	-	-	-	-	-	-	8 000	5 500	5 500
Housing		3 545	-	-	-	-	-	-	-	3 545	45	45
Health		120	-	-	-	-	-	-	-	120	-	-
<b>Economic and environmental services</b>		<b>54 857</b>	-	-	-	-	-	-	-	<b>54 857</b>	<b>19 071</b>	<b>7 931</b>
Planning and development		6 745	-	-	-	-	-	-	-	6 745	5 780	4 459
Road transport		48 112	-	-	-	-	-	-	-	48 112	13 291	3 472
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>1 039 614</b>	-	-	-	-	-	-	-	<b>1 039 614</b>	<b>880 367</b>	<b>1 021 867</b>
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		1 039 614	-	-	-	-	-	-	-	1 039 614	880 367	1 021 867
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		<b>-</b>	-	-	-	-	-	-	-	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	3	<b>1 129 973</b>	-	-	-	-	-	-	-	<b>1 129 973</b>	<b>917 137</b>	<b>1 043 956</b>
<b>Funded by:</b>												
National Government		982 905	-	-	-	-	-	-	-	982 905	795 113	940 657
Provincial Government		-	-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	<b>982 905</b>	-	-	-	-	-	-	-	<b>982 905</b>	<b>795 113</b>	<b>940 657</b>
<b>Borrowing</b>												
Internally generated funds		147 068	-	-	-	-	-	-	-	147 068	122 024	103 299
<b>Total Capital Funding</b>		<b>1 129 973</b>	-	-	-	-	-	-	-	<b>1 129 973</b>	<b>917 137</b>	<b>1 043 956</b>

## **MUNICIPAL STANDARD CHART OF ACCOUNTS (MSCOA) COMPLIANCE**

mSCOA is a multi-dimensional recording and reporting system across seven segments. Function or sub-function (GFS votes structure) Item (asset, liability, revenue, expenditure, etcetera) Funding source (rates, services charges, grants, loans, etcetera), Region (wards, whole municipality, head office), costing. National Treasury introduced the mSCOA in order to standardize and integrate the municipal activities in order to enhance the comparability, transparency of information for better planning, implementation and reporting.

National Treasury requires that the municipalities be able to transact live to mSCOA by 01 July 2017 with the accounting system recognized and accredited by NT.

The municipality is transacting on MSCOA and generating data strings. The costing segment will be implemented in 2019/20 budget with costing methodology on how the various departments will charge and recover costs internally.

### **5. OTHER POTFOLIO FUNCTIONAL AREAS CONSULTED**

Basic Services and Infrastructure, Local Economic Development and Good Governance & Public Participation.

### **6. ORGANISATION AND PERSONNEL IMPLICATIONS**

There are no organisational and personnel implications anticipated as a result of this budget adjustment.

### **7. REPRESENTATIVITY**

This issue does not apply in this regard.

### **8. CONSTITUTIONAL AND LEGAL IMPLICATIONS**

Non compliance with mSCOA deadlines may result in

1. National Treasury invoking chapter 13, s216 (1 and 2) which are as follows :  
National legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing
  - (a) Generally Recognised Accounting Practice,
  - (b) Uniform expenditure classification, and
  - (c) Uniform treasury norms and standards.
2. The National Treasury must enforce compliance with the measures established in terms of subsection (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of those measures.

## 9. FINANCIAL IMPLICATION

National Treasury invoking s216 of constitution as stated above due to non compliance with mSCOA will result in withholding of equitable share.

## 10. RECOMMENDATION

The Executive Mayor recommends to Council that Council:

10.1 Approve the Adjustment Budget for 2019/2020 and the two outer financial years 2019/2020 and 2021/2022. The summary is as follows:

DESCRIPTION	BUDGETED 2019/2020	Adjustment	ADJUSTMENT BUDGETED 2019/2020	BUDGETED 2020/2021	BUDGETED 2021/2022
Operating Revenue	1 522 476 017	47 250 730	1 569 726 747	1 635 147 759	1 677 334 112
Operating Expenditure	1 514 715 597	47 250 730	1 561 966 327	1 624 184 634	1 668 351 557
<b>Surplus/(Deficit)</b>	<b>7 760 420</b>	<b>-</b>	<b>7 760 420</b>	<b>10 963 125</b>	<b>8 982 555</b>
Total Capital Expenditure	1 129 972 533		1 129 972 533	917 136 779	1 043 955 660
<b>Overall Total Budget</b>	<b>2 652 448 549</b>		<b>2 699 699 279</b>	<b>2 552 284 538</b>	<b>2 721 289 772</b>

Furthermore the Executive Mayor recommends the council to approve 2019/2020 adjustment budget and two outer years in terms of National Treasury tables B1 to B10 in accordance with section 24(1) to (2) of MFMA for further public participation of stakeholders as follows:

- Adjustment Budgeted Financial Performance (revenue and expenditure by standard classification)
- Adjustment Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Adjustment Budgeted Financial Performance (revenue by source and expenditure by type)
- Adjustment Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source

- Adjustment Budgeted Financial Position
- Adjustment Budgeted Cash Flows
- Cash backed reserves and accumulated surplus reconciliation
- Asset management
- Basic service delivery measurement

## **11. RESPONSIBILITY**

The Executive Mayor is responsible for presenting the budget to Council.