



**1.1.1 GROUP FINANCIAL SERVICES DEPARTMENT
PROPOSED 2019/20 ADJUSTMENTS BUDGET
(From the Special Executive Committee: 17 February 2020 and the Mayoral
Committee: 18 February 2020)**

1. PURPOSE

The purpose of the report is to obtain approval for adjustments to the 2019/20 Medium-term Revenue and Expenditure Framework in terms of Section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

2. STRATEGIC PILLAR

A City that is open, honest and responsive.

3. BACKGROUND

Council approved the 2019/20 Medium-term Revenue and Expenditure Framework (MTREF) on 30 May 2019 in accordance with Section 24(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA).

In terms of Section 28 of the MFMA, a municipality may revise an approved annual budget through an adjustments budget. Municipal budget and reporting regulation (MBRR) 23(1) and (2) state that an adjustments budget may be tabled at the municipal council, any time after the mid-term budget and performance assessment, but not later than February of the current year. It further states that only one adjustments budget may be tabled, except when additional revenues are allocated from the national and provincial adjustments budgets.

Section 28(2) provides guidelines on when an adjustments budget can be prepared and subsection (2)(b) to (g) stipulates the limitations, as to timing or frequency.

The guidelines are as follows:

- (1) A municipality may revise an approved budget through an adjustments budget.
- (2) An adjustments budget –
 - (a) must adjust the revenue and expenditure estimate 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 rollovers when the annual budget for the current financial 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.

4. MID-TERM FINANCIAL ASSESSMENT

Section 72 of the MFMA stipulates that the accounting officer must, by 25 January, assess the performance of the municipality during the first half of the financial year and as part of the review, make recommendations as to whether an adjustments budget is necessary, and recommend revised projections for revenue and expenditure, to the extent that it may be necessary.

The following table summarises the financial performance as at 31 December 2019:

Table 1: Financial performance

CONSOLIDATED SUMMARY STATEMENT OF FINANCIAL PERFORMANCE: 31 DECEMBER 2019					
Description	Original Budget	YTD actual	YTD budget	YTD variance	YTD variance
	R'000	R'000	R'000	R'000	%
Total Revenue(Excluding Capital Transfers)	35 465 848	16 685 194	18 097 084	(1 411 891)	-8%
Total Expenditure	35 446 239	16 896 294	17 954 858	(1 058 563)	-6%
Surplus /Deficit	19 609	(211 101)	142 227		

The actual operating revenue realised, excluding capital transfers and contributions amount to R16,7 billion and reflects an unfavourable variance of R1,4 billion against the YTD budget for the period ended 31 December 2019, mainly on service charges electricity revenue.

The mid-term results on the operating expenditure amounts to R16,9 billion against the YTD budget of R17,9 billion resulting in under spending of R1 billion. The variance on the expenditure is mainly on contracted services, other materials and general expenditure.

Taking into account the mid-term performance as discussed above the adjustment budget is necessary mainly to;

- To address the impending shortfall on the service charges revenue
- To address overspending on various line items
- To authorise the utilization of projected savings in one vote towards spending under another vote
- To appropriate roll-over grants that were approved during the financial year
- To appropriate additional grant funding that have been received
- To accommodate the implementation of the new wage adjustment and the expenditure incurred on the ex-gratia payments

5. 2019/20 ADJUSTMENTS BUDGET PROCESS AND RELATED ISSUES

5.1 Budget process and guidelines

The 2019/20 Adjustments Budget Circular 3, dated 31 October 2019, outlined the following principles:

- No requests for additional funding will be considered unless savings are identified or additional revenue is available to cover such expenditure.
- Any expenditure incurred or contract entered into without budget will be regarded as unauthorised expenditure and the Heads of the departments will be held personally liable in line with Section 32 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).
- The Budget must be funded in terms of the funding compliance procedure set out in MFMA Circular 42, and the Funding Compliance Guideline.
- Departments will be given an opportunity to revise their periodic planning to avoid the budget exceeded errors and the requests for ad hoc budget releases due to the implementation of the Funds Management Module.
- During the adjustments budget process, departments are reminded of the Cost Containment Policy as approved and adopted by Council on 26 September 2019. Cost containment measures must be implemented to eliminate wastage, reprioritise spending and ensure value for money.
- The following adjustments were allowed during the adjustments budget process:
 - Additional grants to be received from an external source.
 - Roll-overs and additional grant funding must be accompanied by proof of confirmation from the relevant transferring department or institution.
 - Appropriation of funding from national and/or provincial departments should be accompanied by acceptable documentation as per Municipal Budget and Reporting Regulations (MBRR).
 - Repriorisation of funds to accommodate shortfalls on certain items.
- Re-alignment of material over and under spending in terms of the Personnel Cost Plan.
- Transfer of functions must be accompanied by transfer of funds.

5.2 Mid-year performance engagement

The National Treasury mid-year performance engagement is scheduled to take place on 14 February 2020. The purpose of the engagement is to assess the performance of the City as required in terms of Section 72 of the MFMA, and before the tabling of an adjustment budget in terms of Section 28 of the MFMA.

6. DISCUSSION OF THE PROPOSED 2019/20 ADJUSTMENTS BUDGET

6.1 SUMMARY OF THE PROPOSED 2019/20 OPERATING ADJUSTMENTS BUDGET

Taking the mid-term financial performance and the adjustment budgets submissions received from Departments, the following table summarises the outcome of the 2019/20 Adjustments Budget:

Table 2: Summary of the 2019/20 adjustments budget

Group	Approved Budget 2019/20	Adjusted Budget 2019/20	Adjustments Increase/ (Decrease)
Total Revenue (excluding capital transfers and contributions)	35,465,848,437	35,555,328,833	89,480,396
Total Expenditure	35,446,239,018	35,551,977,404	105,738,386
Surplus/(Deficit) excluding capital transfers	19,609,419	3,351,429	(16,257,990)
Transfers recognised - Capital	2,353,629,160	2,176,442,277	(177,186,883)
Taxation	465,050	465,050	-
Surplus/(Deficit) for the year	2,372,773,529	2,179,328,656	(193,444,873)

The total operating revenue (excluding capital transfers and contributions) increased by R89,5 million mainly on grant funding, property rates and interest earned on external investments.

The total operating expenditure increased by R105,9 million, from R32,4 billion to R32,5 billion.

6.1.1 Revenue by source

The following table reflects the consolidated approved 2019/20 MTREF, the proposed adjustments budget and the adjustments budget movements:

Table 3: Revenue by source

Group	Original Budget 2019/20	Adjusted Budget 2019/20	Increase/ (Decrease)
Revenue By Source			
Property Rates	7,490,492,531	7,538,811,272	48,318,741
Service Charges: Electricity	13,453,615,503	13,439,603,925	(14,011,578)
Service Charges: Water	4,292,528,095	4,331,352,880	38,824,784
Service Charges: Sanitation	1,171,499,054	1,200,639,796	29,140,742
Service charges - refuse revenue	1,687,670,763	1,586,886,170	(100,784,592)
Service Charges: Other	-	-	-
Rental of Facilities and Equipment	177,159,228	129,992,779	(47,166,449)
Interest Earned - External Investments	196,887,427	245,267,233	48,379,806
Interest Earned - Outstanding Debtors	846,790,732	846,811,699	20,968
Dividends received	-	-	-
Fines, penalties and forfeits	334,088,749	334,140,736	51,987
Licences and Permits	54,588,090	50,188,090	(4,400,000)
Agency services	1,947,436	4,652,954	2,705,518
Transfers Recognised - operational	4,726,160,457	4,764,357,329	38,196,872
Other Revenue	1,032,420,372	1,075,623,969	43,203,597
Gains on Disposal of PPE	-	7,000,000	7,000,000
Total Revenue (excluding capital transfers and contributions)	35,465,848,437	35,555,328,833	89,480,396

The above table indicates a total operating revenue (excluding capital transfers and contributions) of R32,5 billion for the 2019/20 adjustments budget an increase of R89,5 million. The following revenue sources were adjusted:

- Property Rates revenue increased by R48,3 million in the 2019/20 Adjustments Budget, owing to a full year projection of actual billing for the first half of the financial year.
- The revenue decrease on service charges electricity is due to the recalculation of internal charges.
- Service charges: Refuse was adjusted downwards by R100,8 million as a result of the discontinuation of the city cleansing levy.
- Water fees increased by R38,8 million based on the first half of 2019/20 financial year performance taking into account the consumption patterns.
- Sanitation fees increased by R29,1 million based on the first half of 2019/20 financial year performance taking into account the consumption patterns.
- Interest on investments increased by R48,4 million in line with the performance of the short-term investments.
- Licenses and permits revenue reduced by R4,4 million in line with performance trends in the first half of the financial year.
- Rental of facilities income was adjusted downwards by R47,2 million in line with mid-term performance.
- Other revenue was increased with R43,2 million mainly on Land sales.

Grant funding

Grant funding decreased by R179,9 million mainly as a result of the Urban Settlements Development Grant adjustment.

Additional grant funding and approved roll-overs are appropriated in the 2019/20 adjustment budget as follows:

Operating grant roll-overs and additional funding:

Approved roll-overs and additional funding amounting to R38,2 million were included:

- Human Settlement Development Grant (HSDG) - approved rolled over funds amounting to R22,8 million has been granted for Hammanskraal projects.
- Gautrans - a roll-over of R12 million has been granted.
- HIV and AIDS - approved roll over of R696 000 has been granted.
- LGSETA discretionary allocation - additional funding of R2,7 million will be received for payment of stipends.

Capex grant roll-overs and additional funding:

Approved roll-overs and additional funding amounting to R22,8 million were included:

- Community Libraries - approved rolled over funds amounting to R2,8 million has been granted for library books.
- Social Infrastructure Grant - a roll-over of R2,6 million and additional funding of R14,3 million to finalise the Social Development centres has been granted.
- LGSETA discretionary allocation - additional funding of R7 million will be received for the plumbing workshop.
- EEDSM grant was reduced by R4 million as per published gazette.
- USDG was reduced by R120 million.

All grants received should be spent according to the grants conditions as stated in the grant agreements and the Division of Revenue Act (DoRA)

6.1.2 Expenditure by type

The following table reflects the consolidated approved 2019/20 MTREF, the proposed adjustments budget and the adjustments budget movements:

Table 4: Expenditure by type

Group	Original Budget 2019/20	Adjusted Budget 2019/20	Increase/ (Decrease)
Expenditure By Type			
Employee Related Costs	10,513,510,397	10,728,170,724	214,660,327
Remuneration of Councillors	142,093,151	142,093,151	-
Debt Impairment	1,639,519,100	1,639,519,100	-
Depreciation and Asset Impairment	2,132,962,652	2,132,807,348	(155,305)
Finance Cost	1,502,320,725	1,386,111,148	(116,209,576)
Bulk Purchases	12,081,171,244	12,106,328,253	25,157,010
Other Materials	692,370,021	687,277,941	(5,092,079)
Contracted Services	4,101,493,804	4,295,068,762	193,574,958
Tranfers and Grants	57,340,240	44,640,719	(12,699,521)
General Expenditure	2,583,457,685	2,389,778,016	(193,679,668)
Loss on Disposal of PPE	-	182,241	182,241
Total Expenditure	35,446,239,018	35,551,977,404	105,738,386
surplus/(deficit) excluding capital transfers	19,609,419	3,351,429	(16,257,990)

Adjustments on the operating expenditure were mainly due to the following reasons;

- Employee related cost increased by R214,7 million mainly to address the implementation of the new wage adjustments and ex-gratia payments. Reprioritisations were processed within the group and between votes, to cater for material overspending on line items.
- The increase in bulk purchases is due to a movement of water: other sources from Other Materials group of expenditure to Bulk Purchases.
- Other materials group reduced by R5,1 million mainly due to reprioritisations that were processed between expenditure groups as well as the movement of Magalies Water and water: other sources from this group to Bulk Purchases.
- Finance costs was adjusted by R116 million in line with the external loans repayment schedule.
- Contracted services increased mainly on the following items;
 - Watchman services - R214 million (movement from employee related costs), due to delays in the appointment of Asset Protection Unit.

- Project Linked Housing: Top Structures - R22,8 million
 - Low cost housing – R5,1 million (funded from the sale of the mayoral residence)
- R73,8 million was allocated to municipal rates and services to accommodate over-expenditure on line items.
- Savings on various line items were identified within general expenditure mainly on the following items:
 - Insurance premiums – R58 million
 - Leased vehicles – R28,8 million
 - Telecommunication – R10 million
 - Prepaid electricity commission – R15,7 million
 - Postage – R6,4 million
 - Advertising and marketing – R4,5 million
 - Ward committee stipends – R4,8 million
 - Batho pele initiatives – R12 million
 - Uniforms – R7,8 million

In order to absorb some of the costs on employee related costs it was necessary for savings to be identified within the employee related costs group and other expenditure groups (i.e. contracted services, other materials and general expenditure).

The following table indicates the proposed and implemented adjustments per department:

Table 5: Expenditure by type

Department	Approved Budget 2019/20	Adjustment	Adjusted Budget 2019/20
Revenue by Source			
City Manager Department	1,416,876	10,235,633	11,652,508
City Strategy & Operational Performance	-	2,000,000	2,000,000
Community & Social Development Services Department	31,424,738	(24,863)	31,399,875
Customer Relations Management Department	21,412	6,314	27,726
Economic Development & Spatial Planning Department	402,498,159	(3,118,716)	399,379,444
Emergency Management Services Department	46,297,178	(25,849,657)	20,447,521
Environment & Agriculture Management Department	1,769,047,492	(99,174,295)	1,669,873,197
Group Communication & Marketing Department	-	52	52
Group Human Capital Management Department	19,608,379	2,775,294	22,383,673
Group Financial Services Department	12,347,996,414	82,034,374	12,430,030,787
Group Audit & Risk Department	44,474,171	31,000,000	75,474,365
Group Legal and Secretarial Service Department	-	45,280	45,280
Group Property Department	112,200,169	(3,748,187)	108,451,982
Housing & Human Settlement Department	212,206,731	22,823,833	235,030,524
Health Department	67,314,130	791,908	68,106,038
Metro Police Department	341,848,727	1,605,208	343,453,935
Office of the Executive Mayor Department	-	683	683
Office of the Speaker Department	-	69	69
Office of the Chief Whip Department	-	18	18
Roads & Transport Department	567,273,198	22,842,823	590,116,020
Regional Operations & Coordination Department	25,548,306	7,256,480	32,804,786
Shared Services Department	1,193,691		1,337,898
Utility Services	20,027,758,836	108,796,397	20,136,555,233
Total Revenue (excluding capital transfers)	36,018,128,605	160,298,648	36,178,571,614
Expenditure by Type			
City Manager Department	120,148,163	25,685,907	145,834,070
City Strategy & Operational Performance	102,031,910	(11,891,589)	90,140,321
Community & Social Development Services Department	520,933,241	13,996,405	534,929,647
Customer Relations Management Department	239,159,613	4,655,170	243,814,783
Economic Development & Spatial Planning Department	614,198,011	17,678,570	631,876,581
Emergency Management Services Department	817,600,571	22,010,193	839,610,764
Environment & Agriculture Management Department	1,781,511,716	(14,931,881)	1,766,579,835
Group Communication & Marketing Department	112,904,451	(6,837,085)	106,067,366
Group Human Capital Management Department	407,223,417	(7,283,937)	399,939,480
Group Financial Services Department	3,296,770,120	107,552,010	3,404,322,130
Group Audit & Risk Department	345,782,160	(87,458,050)	258,324,110
Group Legal and Secretarial Service Department	169,435,275	3,244,298	172,679,573
Group Property Department	973,599,192	12,421,875	986,021,067
Housing & Human Settlement Department	917,100,349	32,087,438	949,187,787
Health Department	466,891,399	16,500,667	483,392,067
Metro Police Department	2,883,687,392	6,446,862	2,890,134,255
Office of the Executive Mayor Department	129,412,559	6,081,907	135,494,466
Office of the Speaker Department	309,559,256	(6,097,296)	303,461,960
Office of the Chief Whip Department	43,188,041	(2,894,877)	40,293,164
Roads & Transport Department	1,739,352,028	11,322,588	1,750,674,616
Regional Operations & Coordination Department	2,970,270,906	21,608,033	2,991,878,939
Shared Services Department	1,607,381,189	(7,965,312)	1,599,415,877
Utility Services	15,430,465,773	13,897,490	15,444,363,263
Total Expenditure	35,998,606,731	169,829,389	36,168,436,120
(Surplus)/Deficit	19,521,874	(9,530,741)	10,135,494

7. 2019/20 CAPITAL BUDGET ADJUSTMENTS

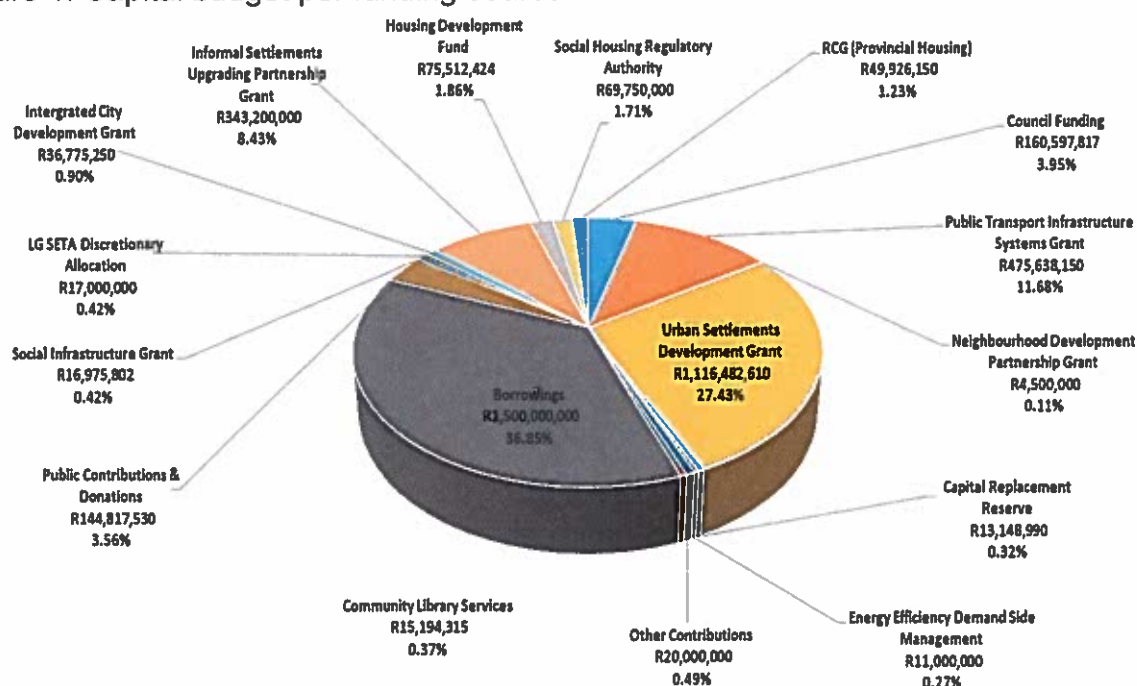
A capital budget to the amount of R4,2 billion was approved by Council for the 2019/20 financial year. The 2019/20 adjusted capital budget resulted in a decrease of R177,9 million due to savings identified and a reduction in grant funding. A limited amount of additional requests were accommodated and funded from savings identified within the 2019/20 budget. Reprioritisations between projects were allowed owing to the status of the projects.

Table 6: Summary of the 2019/20 adjusted capital budget per funding source

Funding Source Description	2019/20 Budget	Adjustment	2019/20 Adjusted Budget
Council Funding	164,597,817	-4,000,000	160,597,817
Public Transport Infrastructure Systems Grant	475,638,150	-	475,638,150
Neighbourhood Development Partnership Grant	4,500,000	-	4,500,000
Urban Settlements Development Grant	1,278,482,610	-162,000,000	1,116,482,610
Integrated National Electrification Programme	38,000,000	-38,000,000	-
Capital Replacement Reserve	4,725,000	8,423,990	13,148,990
Energy Efficiency Demand Side Management	15,000,000	-4,000,000	11,000,000
Other Contributions	20,000,000	-	20,000,000
Community Library Services	12,357,000	2,837,315	15,194,315
Borrowings	1,500,000,000	-	1,500,000,000
Public Contributions & Donations	150,000,000	-5,182,470	144,817,530
Social Infrastructure Grant	-	16,975,802	16,975,802
LG SETA Discretionary Allocation	10,000,000	7,000,000	17,000,000
Intergrated City Development Grant	36,775,250	-	36,775,250
Informal Settlements Upgrading Partnership Grant	343,200,000	-	343,200,000
Housing Development Fund	75,512,424	-	75,512,424
Social Housing Regulatory Authority	69,750,000	-	69,750,000
RCG (Provincial Housing)	49,926,150	-	49,926,150
	4,248,464,401	-177,945,363	4,070,519,038

The following graph illustrates the capital budget per funding source:

Figure 1: Capital budget per funding source



Capital grants

The following table is a breakdown of the approved 2018/19 roll-over of unspent grants as well as additional allocations relating to the 2019/20 financial year:

Table 7: Breakdown of the adjusted 2019/20 grants

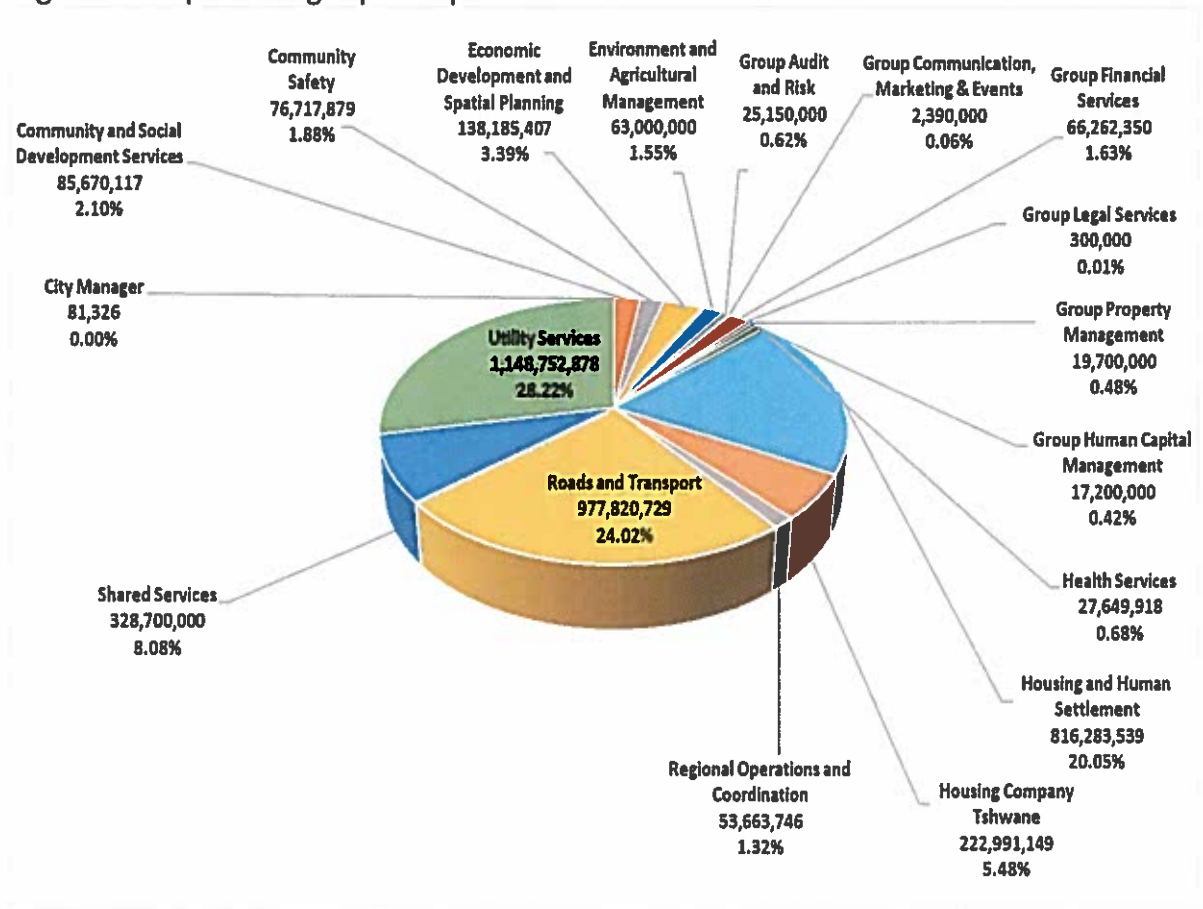
Description	Approved budget 2019/20	Approved Roll- Over 2018/19	Additional Allocation	Revised Allocation	Adjusted Allocations 2019/20
Urban Settlements Development Grant	1 278 482 610	-	-	-162 000 000	1 116 482 610
Integrated National Electrification Programme	38 000 000	-	-	- 38 000 000	-
Energy Efficiency Demand Side Management	15 000 000	-	-	- 4 000 000	11 000 000
Social Infrastructure Grant	-	2 635 802	14 340 000	-	16 975 802
Community Library Services	12 357 000	2 837 315	-	-	15 194 315
LG SETA Discretionary Allocation	10 000 000	-	7 000 000	-	17 000 000
Total	1 353 839 610	5 473 117	21 340 000	-204 000 000	1 176 652 727

Table 8: Summary of the 2019/20 adjusted capital budget per Department:

Department	2019/20 Budget	Adjustment	2019/20 Adjusted Budget
City Manager	-	81,326	81,326
Community and Social Development Services	65,857,000	19,813,117	85,670,117
Sports and Recreational Services	65,857,000	2,837,315	68,694,315
Social Development Services	-	16,975,802	16,975,802
Community Safety	105,367,879	-28,650,000	76,717,879
Emergency Services	68,300,000	-28,650,000	39,650,000
Metro Police Services	37,067,879	-	37,067,879
Customer Relation Management	-	-	-
Economic Development and Spatial Planning	70,985,407	67,200,000	138,185,407
City Planning and Development	-	-	-
Economic Development	68,364,500	67,200,000	135,564,500
Tshwane Economic Development Agency	2,620,907	-	2,620,907
Environment and Agricultural Management	63,000,000	-	63,000,000
Group Audit and Risk	25,150,000	-	25,150,000
Group Communication, Marketing & Events	4,200,000	- 1,810,000	2,390,000
Group Financial Services	114,262,350	- 48,000,000	66,262,350
Group Legal Services	300,000	-	300,000
Group Property Management	19,700,000	-	19,700,000
Group Human Capital Management	10,200,000	7,000,000	17,200,000
Health Services	40,661,000	- 13,011,082	27,649,918
Housing and Human Settlement	949,200,000	- 132,916,461	816,283,539
Housing Company Tshwane	202,047,355	20,943,794	222,991,149
Regional Operations and Coordination	51,200,000	2,463,746	53,663,746
Roads and Transport	1,007,368,729	-29,548,000	977,820,729
Roads and Stormwater	512,175,579	- 59,243,000	452,932,579
Tshwane Bus Services	33,000,000	-	33,000,000
Licensing	500,000	250,000	750,000
Airport Services	1,055,000	29,445,000	30,500,000
Integrated Rapid Public Transport Network (IRPTN)	460,638,150	-	460,638,150
Shared Services	283,500,000	45,200,000	328,700,000
Corporate & Shared Services	100,000,000	- 5,500,000	94,500,000
ICT, Applications & Infrastructure	183,500,000	50,700,000	234,200,000
Utility Services	1,235,464,681	-86,711,803	1,148,752,878
Utility Services: Electricity	682,026,071	- 39,000,000	643,026,071
Utility Services: Water and Sanitation	553,438,610	- 47,711,803	505,726,807
TOTAL CAPITAL BUDGET	4,248,464,401	-177,945,363	4,070,519,038

The following graph illustrates the capital budget per Department:

Figure 2: Capital budget per department



The detail 2019/20 adjusted capital budget per department is contained in Annexure B and summarised below:

Community and Social Development Services: R19,8 million

- An amount of R460 453 and R4 240 000 was allocated for Social Development Centre in Hammanskraal from the approved roll-over and additional allocation from the Social Infrastructure Grant.
- An amount of R514 590 and R2,5 was allocated for Social Development Centre in Winterveldt from the approved roll-over and additional allocation from the Social Infrastructure Grant.
- An amount of R1 660 759 and R7,6 was allocated for Social Development Centre in Mabopane from the approved roll-over and additional allocation from the Social Infrastructure Grant.
- An approved roll-over amount of R2 837 315 million was also allocated to Community Library Services.

Community Safety- Emergency Services: - R28,6 million

- An amount of R22,6 million was identified as saving on the Construction of Emergency Service Station in Mamelodi project.
- An amount of R4,0 million was identified as saving on the Urban Regeneration of Wonderboom Emergency Services Station project.

- An amount of R2,0 million was identified as saving on the Construction of a new Emergency Services Station in Klip Kruisfontein project.

Economic Development and Spatial Planning: R67,2 million

- An additional amount of R67,2 million was allocated to Business Process Outsourcing project from savings identified from Emergency services and Group Financial Services.

Group Communication, Marketing and Events: -R1,8 million

- An amount of R2,2 million was allocated to capital moveables project for acquisition of items with more than a year life span.
- R4 million was identified as a saving from the upgrade of existing studio at TLMA.

Group Financial Services: -R48 million

- An amount of R48 million was identified as savings from the following projects:
 - Turnaround of municipal water services – R40 million
 - Building and equipment (security at stores) - R5 million and
 - Centralised stores - R3 million.

Group Human Capital Management: R7 million

- The following allocations were made to the Plumbing Workshop project:
 - R7 million from the additional LGSeta discretionary grant allocation
 - R3 million was identified as a saving from Machinery and Equipment
 - R3,6 million was identified as a saving from Building Renovations

Health and Social Development: -R13 million

- An amount of R2,2 million was transferred from operational budget to capital moveables project for acquisition of items with more than a year life span.
- R15,2 million was transferred to Shared Services Department for the purchase of ICT equipment for the E-Health project.

Housing and Human Settlement: -R132,9 million

- An amount of R93,1 million was identified as saving from the Project linked Housing- Water provision.
- An amount of R3,9 million was identified as saving from the Road and Stormwater- Low Cost Housing project.
- An amount of R77,9 million was identified as savings from the Sewerage- Low Cost Housing project.
- An amount of R42 million was allocated to the acquisition of land project.

Housing Company Tshwane: R20,9 million

- An additional amount of R18,7 million was allocated to the Housing Company Tshwane for Timberland bulk infrastructure upgrade, Townlands, Chantel detail design and bulk infrastructure upgrade and R2,2 million for Furniture and equipment project respectively.

Roads and Transport: -R29,5 million

- An amount of R29,5 million was identified as a saving from various projects within Roads and Transport. Details are included in Annexure B.
- R29 million was transferred to the Airport

Shared Services: R45,2 million

- An additional amount of R30,0 million was allocated to Smart city project for Automated advanced metering system.
- R15,2 million was transferred from the Health Department for the purchase of ICT equipment for the e-Health project and allocated as follows:
 - R7,5 million to the Computer Equipment Deployment project and
 - R7,7 million to the Electronic Document Management System project

Utility Services: -R86,7 million

- An amount of R4 million was reduced from the Energy Efficiency Demand Side Management grant due to revised allocation on the gazette.
- An amount of R80 million was reduced from project funded from Urban Settlement Developmental Grant (USDG)
- An amount of R2,7 million was identified as saving from different electricity for all project.

8. MUNICIPAL ENTITIES

The Tshwane Economic Development Agency (TEDA) revenue budget increased from 69,9 million to R83,4 million.

- Agency Services revenue was increased by R2,7 million to be in line with revenue already realised and
- Other income increased by R2,9 million from SARS refunds already received and to cater for the balance that is expected from future VAT returns before the end of the current financial year.
- Transfers recognised: operational increased by R7,5 million due to the transfer of the Tourism Unit operational expenditure from the parent municipality to the entity.

The operating expenditure budget increased from R69,9 million to R90,4 million mainly on contracted services and employee related costs.

Housing Company Tshwane's revenue and expenditure estimates were adjusted downward by R3,2 million and R3,3 million respectively during the adjustments budget process.

An allocation of R20,9 million was included on the entity's capital budget as follows:

- R2,2 million for furniture and office equipment to be funded from the entity's own internal resources
- R5,8 million is an approved roll-over from the Parent from the previous financial year and
- R12,9 million USDG allocation was reprioritised from Housing and Human Settlements department to the entity.

Table 9: Statement of Financial Performance - Housing Company Tshwane

Group	Original Budget 2019/20	Adjusted Budget 2019/20	Increase/ (Decrease)
Revenue By Source			
Property Rates			
Service Charges: Electricity			
Service Charges: Water			
Service Charges: Sanitation			
Service charges - refuse revenue			
Service Charges: Other			
Rental of Facilities and Equipment	19,145,944	18,085,991	- 1,059,953
Interest Earned - External Investments	39,585	345,906	306,321
Interest Earned - Outstanding Debtors	195,364	208,062	12,698
Dividends received			
Fines, penalties and forfeits			
Licences and Permits			
Agency services			
Transfers Recognised - operational	38,451,595	38,451,595	-
Other Revenue	2,717,648	253,852	(2,463,796)
Gains on Disposal of PPE			
Total Revenue (excluding capital transfers and contributions)	60,550,137	57,345,406	- 3,204,731
Expenditure By Type			
Employee Related Costs	27,656,797	24,619,332	- 3,037,465
Remuneration of Directors	2,014,794	2,014,794	-
Debt Impairment			-
Depreciation and Asset Impairment	1,208,542	1,063,108	- 145,434
Finance Cost	137,017	-	- 137,017
Bulk Purchases			-
Other Materials	4,042,160	4,042,160	-
Contracted Services	15,234,187	15,234,187	-
Tranfers and Grants			-
General Expenditure	10,176,007	10,176,007	-
Loss on Disposal of PPE			-
Total Expenditure	60,469,504	57,149,588	- 3,319,916
surplus/(deficit) excluding capital transfers	80,633	195,818	115,186

Table 10: Statement of Financial Performance - Tshwane Economic Development Agency

Group	Original Budget 2019/20	Adjusted Budget 2019/20	Increase/ (Decrease)
Revenue By Source			
Property Rates			
Service Charges: Electricity			
Service Charges: Water			
Service Charges: Sanitation			
Service charges - refuse revenue			
Service Charges: Other			
Rental of Facilities and Equipment			
Interest Earned - External Investments	593,600	993,600	400,000
Interest Earned - Outstanding Debtors			
Dividends received			
Fines, penalties and forfeits			
Licences and Permits			
Agency services	1,947,436	4,652,954	2,705,518
Transfers Recognised - operational	67,399,000	74,873,930	7,474,930
Other Revenue		2,867,567	2,867,567
Gains on Disposal of PPE			
Total Revenue (excluding capital transfers and contributions)	69,940,036	83,388,051	13,448,015
Expenditure By Type			
Employee Related Costs	37,394,483	44,148,977	6,754,494
Remuneration of Directors	1,791,828	1,791,828	-
Debt Impairment			-
Depreciation and Asset Impairment	1,251,785	1,251,785	-
Finance Cost			-
Bulk Purchases			-
Other Materials	517,339	358,040	159,300
Contracted Services	17,017,123	25,765,222	8,748,099
Tranfers and Grants			-
General Expenditure	11,960,614	17,052,081	5,091,467
Loss on Disposal of PPE			-
Total Expenditure	69,933,173	90,367,932	20,434,759
surplus/(deficit) excluding capital transfers	6,863	6,979,881	6,986,744

9. COMMENTS OF THE STAKEHOLDER DEPARTMENTS

9.1 COMMENTS OF THE STRATEGIC EXECUTIVE DIRECTOR: CORPORATE AND SHARED SERVICES

9.2 LEGAL SERVICES

(Unaltered)

The aim of the report is to solicit the approval from Council for adjustments to the 2019/20 MTREF in terms of Section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003, i.e. 'the MFMA, 2003'), in order to ensure financial sustainability.

The goal of this *Budget Policy* is to provide all officials with guidelines with respect to the planning and implementation of the budget.

The objectives of the Budget Policy as contained in the MFMA are: –

- (a) To give effect to the provisions of Section 215 of the Constitution of the Republic of South Africa, 1996.
- (b) To give effect to the provisions of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).
- (c) To give effect to the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

The current MTREF budget in respect of the 2019/20 financial year was approved by Council on 30 May 2019. The adjustments budget endeavours to provide for a more realistic and accurate picture due to compelling realities on the implementation of the planned budget during the financial year. This is a general accepted practice since no-one can accurately predict the future and changing circumstances requires amendment of plans. As the financial year progresses more certainty on changing needs presents itself. One can simply not ignore such factual realities and good corporate governance demands that the municipality take cognisance thereof, act there on, make the necessary changes and ultimately implement changes. Failing to do so will result in financial misalignment between financial accounting and service delivery. The actual performance against the budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustment budget.

An adjustment in the budget remains compelling since it mitigates or eliminates weak or opaque financial management and ensures that available financial resources are utilised optimally. At the same time, it also strengthens transparency in the quest for continued service delivery and instill accountability thereby avoid unnecessary negative remarks from the Auditor General or National Treasurer as the case may be.

The Budget Policy is clear on certain expenditure. An adjustments budget contemplated in section 28(2)(g) of the Act may only authorise unauthorised expenditure as anticipated in section 32(2)(a)(i) of the Act, and must be: –

- (a) dealt with, as part of the adjustments budget contemplated in sub-regulation (1); and
- (b) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.

In practice this means:

- i. Unauthorised expenditure that occurs in the first half of a municipal financial year may be authorised by the council in the main adjustments budget that must be tabled in council **before 28 February** (see regulation 23(1) of the Municipal Budget and Reporting Regulations).
- ii. Unauthorised expenditure that occurs in the second half of the financial year, or that occurred in the first half of the year but was not authorised in the main adjustment budget (above), has to be reported in the annual financial statements. **Savings** need to be identified to cover the over expenditure through a special adjustment budget in terms of section 127(2). In this regard we should emphasise the obvious and that it remains an *adjustment budget* and is not an opportunity to amend the bottom line of the annual budget.
- iii. If the council decides not to authorise an unauthorised expenditure, then it must be recovered from the person liable for that expenditure unless the council certifies that the amount is irrecoverable and it is written off by the council.

From a perusal of the contents of the report and the recommendations pertaining thereto it is apparent that the tabling of the proposed 2019/20 adjustments budget is being conducted in terms of the relevant stipulations of the MFMA, and more specifically section 28 of the MFMA, the details of which are more fully set out in the report. We need to mention that in terms of section 75 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) the adjustment budget must be made available to the public. It is a public document

Municipalities are required by section 75 of the MFMA, 2003 to publish key documents and information on their website, including the **IDP**, the annual budget, **adjustments budgets** and budget related documents and policies. A municipal website should be an integral part of a municipality's communication strategy.

The proposed adjustment budget resembles a more accurate and fair reflection of the changes in financial management needs since the approval of the annual budget on 30 May 2019.

The recommendations are thus supported on a legal basis since it is in line with the *Adjustments Budget Policy Framework* approved by Council and in line with National Treasury requirements. It is common knowledge that such adjustments can only be done once a year and it is an adjustments budget, in other words it amends the current budget within the parameters of what is allowed in terms of the Budget Policy, but is not a new or increased budget. In other words, the total budget revenue and expenditure stream remains intact.

10. IMPLICATIONS

10.1 HUMAN RESOURCES

None.

10.2 FINANCES (BUDGET AND VALUE FOR MONEY)

The implementation of this adjustments budget is to ensure effective and efficient financial management and business planning, aligned to deliverable key imperatives as contained in the five-year strategic IDP.

10.3 CONSTITUTIONAL AND LEGAL FACTORS

To ensure compliance in terms of various sections of the Municipal Systems Act and the MFMA.

10.4 COMMUNICATION

After approval, this document is provided to all stakeholders and placed on the Tshwane public website for information and implementation.

11. PREVIOUS COUNCIL AND MAYORAL COMMITTEE RESOLUTIONS

The 2019/20 MTREF, as approved by Council on 30 May 2019, and the integrated report on the IDP and Budget Process Plan for 2020/21, as approved by Council on 29 August 2019, are applicable.

12. CONCLUSION

All departments should manage their spending in a prudent manner within the approved budget allocations and ensure that service delivery is implemented in the most cost-effective manner.

Taking the budget guidelines, principles, processes and recommendations into consideration, it is recommended that the 2019/20 adjustments budget be approved.

ANNEXURES:

- A. Adjustments budget and supporting documentation (budget document).
- B. Capital budget per project.

IT WAS RECOMMENDED (TO THE MEETING OF THE ADMINISTRATOR: 30 MARCH 2020):

- 1. That, in terms of Section 28(2) of the MFMA, the proposed 2019/20 adjustments budget (operating and capital) be approved as set out in this report;
- 2. That the supporting documentation as per Annexure A be approved together with the following tables:

- Adjusted budget summary;
 - Adjusted budget financial performance (revenue and expenditure by municipal vote);
 - Adjusted budget financial performance (revenue and expenditure by standard classification);
 - Adjusted budget financial performance (revenue by source and expenditure by type);
 - Adjusted capital expenditure budget by municipal vote and funding;
 - Adjusted budget financial position;
 - Adjusted budget cash-flows;
 - Cash-backed reserves/accumulated surplus reconciliation;
 - Asset management; and
3. That, following the approval of the 2019/20 adjustments budget by Council, it be submitted in both printed and electronic formats to the National Treasury and the relevant provincial treasury within ten working days, as required by regulation 24 of the Municipal Budget and Reporting Regulation (MBRR).

During the consideration of the report, it was:

NOTED:

- (a) That in view of the municipality being under Administration in terms of section 139(1)(c) of the Constitution of the Republic of South Africa, the Adjustment budget would have to be approved by the Provincial Executive; and**
- (b) That the Administrator Team would have a meeting with the Provincial Treasury with regard to the City of Tshwane Adjustment Budget on 30 March 2020.**

It was further agreed:

- 1. That the report be referred back for the Chief Financial Officer to prepare a presentation on the 2019/20 Adjustment Budget; and**
- 2. That a Special meeting of the Administrator be convened on Friday, 3 April 2020 for consideration of the presentation on the 2019/20 Adjustment Budget.**

In view of the above, it was:

IT WAS RECOMMENDED (TO THE MEETING OF THE ADMINISTRATOR: 30 APRIL 2020):

- 1. That the report be referred back for the Chief Financial Officer to prepare a presentation on the 2019/20 Adjustment Budget; and**
- 2. That a Special meeting of the Administrator be convened on Friday, 3 April 2020 for consideration of the presentation on the 2019/20 Adjustment Budget.**

During the consideration of the report, it was:

NOTED:

- (a) That the City was awaiting the feedback from the National Treasury with regard to the request on the approval of the 2019/20 adjustment budget;**
- (b) That it was indicated that, the National Treasury was awaiting the sign-off by the Minister of Finance; and**
- (c) The activities that led to the increase of R214 million of the employees related costs remained as unauthorised expenditure.**

It was further agreed:

- 1. That the report be approved; and**
- 2. That the condonation of the 2019/20 adjustment budget be requested from the National Treasury.**

In view of the above, it was:



RESOLVED:

- 1. That, in terms of Section 28(2) of the MFMA, the proposed 2019/20 adjustments budget (operating and capital) be approved as set out in this report;**
- 2. That the supporting documentation as per Annexure A be approved together with the following tables:**
 - Adjusted budget summary;
 - Adjusted budget financial performance (revenue and expenditure by municipal vote);
 - Adjusted budget financial performance (revenue and expenditure by standard classification);
 - Adjusted budget financial performance (revenue by source and expenditure by type);
 - Adjusted capital expenditure budget by municipal vote and funding;
 - Adjusted budget financial position;
 - Adjusted budget cash-flows;
 - Cash-backed reserves/accumulated surplus reconciliation; and
 - Asset management.
- 3. That, following the approval of the 2019/20 adjustments budget by the Administrator, it be submitted in both printed and electronic formats to the National Treasury and the relevant provincial treasury within ten working days, as required by regulation 24 of the Municipal Budget and Reporting Regulation (MBRR); and**
- 4. That the condonation of the 2019/20 adjustment budget be requested from the National Treasury.**