

OFFICE OF THE MAYOR

14 October 2020

For Submission to Council

REPORT ON THE COMPILATION OF A SPECIAL ADJUSTMENTS BUDGET FOR THE MTREF 2020/21 TO 2022/23

Purpose

The Municipal Manager has received correspondence from National Treasury saying the 2020/21 MTREF budgets must be adjusted to account for the revised funding allocations that were made available.

Background

Per the communication dated 24 August 2020, the 2020 National Supplementary Budget was delivered by the Minister of Finance in Parliament on the 24 June 2020.

The 2020 Supplementary Budget responds to the COVID-19 pandemic and its impact on the economy. This includes the R20 billion allocation for local government announced by the President to assist in funding COVID-19 expenditure. This allocation consists of R11 billion added to the local government equitable share and just over R9 billion that was repurposed for the provision of water and sanitation and for sanitizing public transport facilities within existing grant allocations to local government. In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA) and Section 23(3) of the Municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2020/21 MTREF budgets to account for the **revised funding allocations** that were made available.

In addition, municipalities should use this adjustments budget to reprioritize the 2020/21 budget to respond to the impact of the COVID-19 pandemic on the budget. Given that it has been 5 months since the lockdown, better quality information should be available to inform the budget assumptions. Municipalities that have adopted unfunded budgets for the 2020/21 financial year must also correct their budgets through this process to ensure that the adjustments budgets are funded.

The correspondence further indicates that the adjustments budget data strings for 2020/21 must be submitted in the format of a mSCOA data strings uploaded to the LG Upload Portal within 10 working days after the adjustments budget has been adopted by Council. Furthermore, funding and expenditure that pertain to COVID-19 must be recorded and ring fenced through the Municipal Standard Chart of Accounts (mSCOA) as per the guidance provide in mSCOA Circular No. 9 that was issued on 9 June 2020.

Through the communication from National Treasury, they are giving Mohokare Local Municipality the opportunity to allocate this additional funding and to reprioritize the 2020/21 budget expenditure to respond to the impact of the COVID-19 pandemic through a Special Adjustments Budget. Should the Municipality not be able to resolve the matter satisfactorily, Provincial intervention may be deemed necessary. This will include, but are not limited to, the withholding of the Equitable Share Grant allocated to the Municipality.

This led to the Special Adjustments budget tabled to Council to be deemed unfunded due to the B-8 Schedule (Cash backed reserves/accumulated surplus reconciliation), however, the proposed budget for the 2020/21 financial year that was tabled was indeed funded.

In order to make the budget funded, Management reworked the B-Schedule table B4 (Financial Performance – revenue and expenditure) and table B7 (Cash Flow Statement) and as a result of this changes B8 (Cash Backed Reserves/ Accumulated Surplus Recon) as set out in the discussions below.

Discussion:

The following changes were made to the B-Schedule B4 and B7 – Financial Performance and Cash Flow Statement:

Increase of Transfers and subsidies – Operational with additional funding of R 11 867 000.

Reallocation of Employee related costs, Other materials and Other expenditure in terms of their funding, especially the expenditure that will be occur due to the COVID-19 pandemic.

Also accompanying this Special Adjustment Budget is the Mohokare Local Municipality Turnaround Strategy and the Mohokare Local Municipality Framework to Improve Unfunded Budget.

Legal implication(s)

Compliance with the Municipal Finance Management Act 56 of 2003

Parties consulted

- Municipal Manager
- Chief Financial Officer
- Senior Manager Finance
- Accountant – Budget and Treasury Office
- Officer – Budget and Treasury Office

