

City of Johannesburg Council 2019-02-21

COJ : MAYORAL COMMITTEE 2019-02-15

**FINANCE**

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**21 SPECIAL ADJUSTMENT OF THE  
OPERATING BUDGETS FOR THE 2018/19  
FINANCIAL YEAR AS A RESULT OF THE  
HUMAN SETTLEMENT DEVELOPMENTS  
GRANT REVIEW**

**1 STRATEGIC THRUST**

Well Governed and Managed City.

**2 OBJECTIVE**

To obtain approval to adjust both current approved operating budgets for the 2018/19 financial year.

**3 SUMMARY**

In terms of Section 28 of the Municipal Finance Management Act 56 of 2003 (MFMA), a municipality may revise an approved budget through an adjustments budget. Only the Mayor may table an adjustments budget in the municipal council and may only be tabled within prescribed limitations as to timing or frequency.

In terms of Regulation 23(2) of the Municipal Budget and Reporting Regulations, only one adjustment budget may be tabled in Council during the financial year, except when additional revenues contemplated in section 28(2)(b) of the Act are allocated to a municipality in a national or provincial adjustment budget.

Regulation 23(3) of the Municipal Budget and Reporting Regulations states "If a national or provincial adjustment budget allocates or transfers additional revenues to a 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 adjustment budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues".

Gauteng Province has approved a roll-over of R67.9 million with regard to the appeal the City lodged on 18 October 2018 that relates to the 2017/8 financial year. The roll-over relates to the following projects:

- Diepsloot/Riverside View Ext 12 - R41.7 million;
- Lufhereng – R25.2 million; and
- South Hills – R1 million.

The Human Settlement Development Grant (HSDG) allocation for 2018/19 was also increased by an amount of approximately R67 million as indicated in the Provincial Gazette (No. 45) dated 12 February 2019. The additional HSDG funding will be utilised towards the South Hills Development project.

The roll-over and the Gazette were approved after the City had already approved its 2018/19 Adjustment Budget at Council on 30 January 2019.

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#### OPERATING ADJUSTMENT BUDGET FOR 2018/19

The increase of R134.8 million is being implemented on the adjustment budget approved by Council on 30 January 2019 that had an operating revenue of approximately R52.1 billion and operating expenditure of approximately R51 billion (excluding internal transfers and taxation) for the 2018/19 financial year. Both the revenue and expenditure are adjusted by R134.8 million and the surplus before capital grants, contributions and taxation remains the same at R1.1 billion.

The table below reflects the high-level summary taking into account the increase in HSDG funding.

	Approved Budget 2018/19 R 000	Adjust- ments R 000	Adjusted Budget 2018/19 R 000
Revenue	52 080 005	134 840	52 214 845
Internal Revenue	6 851 740		6 851 740
	58 931 745	134 840	59 066 585
Expenditure	50 982 044	134 840	51 116 884
Internal Expenditure	6 851 740		6 851 740
	57 833 784	134 840	57 968 624
<b>Surplus (Deficit) before capital grants and contributions</b>	<b>1 097 960</b>		<b>1 097 960</b>
Capital Grants and contributions	3 078 749		3 078 749
Surplus (Deficit) after capital grants and contributions	4 176 710		4 176 710
Taxation	24 893		24 893
Surplus (Deficit) after taxation and capital grants and contributions	4 151 817		4 151 817

No other changes were made to the operating budget and the capital budget remains the same as approved by Council on 30 January 2019.

#### 4 POLICY IMPLICATION

None.

#### 5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

In terms of Section 28 of the Municipal Finance Management Act 56 of 2003, a municipality may revise an approved budget through an adjustment budget for tabling at Council.

#### 6 FINANCIAL IMPLICATIONS

Operating Budget

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<u>Consolidated Operating Budget</u> <u>(including internal transfers)</u>	Approved Budget R 000	Adj- ments R 000	Adjusted Budget R 000
Total Revenue	58 931 745	134 840	59 066 585
Total Expenditure	57 833 784	134 840	57 968 624
Capital Grants and Contributions	3 078 749		3 078 749
Taxation	24 893		24 893
Surplus (Deficit) for the year	4 151 817		4 151 817

#### Capital Budget

The capital budget remains the same as approved by Council on 30 January 2019.

#### 7 COMMUNICATION IMPLICATIONS

In terms of Section 24 of the Municipal Finance Management Act, immediately after the approval of the adjustment budget, the accounting officer must inter alia, submit the adjustment budget to National Treasury and Provincial Treasury. The adjustment budget will be placed on the City's website after the approval.

#### 8 OTHER DEPARTMENTS CONSULTED

Legal Department, and affected Core administration departments and Municipal Entities.

#### 9 KEY PERFORMANCE INDICATOR

Management of the budget process in compliance with the Municipal Finance Management Act Chapter 4.

### IT IS RECOMMENDED

- 1 That the Adjustment Operating Revenue and Expenditure for Core Administration and Municipal Entities as set out in Annexures A, B, C and D be approved.**

## 21.4

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- 2 That the supporting information contained in the 2018/19 Adjusted Revenue and Expenditure Budget document as required in terms of Section 28(5) of the Municipal Finance Management Act (Act 56 of 2003) be considered in conjunction with this report.**

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THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM