

City of Johannesburg Council 2019-04-25

COJ : MAYORAL COMMITTEE 2019-04-04

FINANCE

4 SPECIAL ADJUSTMENT OF THE OPERATING AND CAPITAL BUDGETS FOR THE 2018/19 FINANCIAL YEAR AS A RESULT OF NATIONAL GOVERNMENT 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".

National Treasury has issued two government gazettes (Gazette 42234 dated 21 February 2019 and Gazette 42318 18 March 2019) whereby the following grants have been adjusted:

- The Neighbourhood Development Partnership grant (NDPG) has been increased by an amount of R39.9 million to R80 million;
- The Integrated National Electrification Programme grant (INEPG) has been reduced by an amount of R1.6 million to R29.8 million; and
- The Public Transport Network grant (PTNG) has been reduced by an amount of R133 thousand to R1.1 billion.

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The Gazettes were received by the City after the 'second' 2018/19 Adjustment Budget was approved by Council on 21 February 2019. The 'second' adjustment budget was pursuant to the issuance of the Provincial Gazette that affected allocations to Johannesburg.

OPERATING ADJUSTMENT BUDGET FOR 2018/19

The increase of R38.2 million is being implemented on the adjustment budget approved by Council on 21 February 2019. In this third proposed adjustment budget in the 2018/19 financial year, the surplus after taxation and capital grants and contributions increase by R38.2 million to R4.2 billion.

The table below reflects the high-level summary of the adjusted revenue and expenditure budget taking into account the net increase of the capital grants.

| | Approved Budget 2018/19 R 000 | Adjust- ments R 000 | Adjusted Budget 2018/19 R 000 |
|---|--|---------------------------|--|
| Revenue | 52 214 845 | | 52 214 845 |
| Internal Revenue | 6 851 740 | | 6 851 740 |
| | 59 066 585 | | 59 066 585 |
| Expenditure | 51 116 884 | | 51 116 884 |
| Internal Expenditure | 6 851 740 | | 6 851 740 |
| | 57 968 624 | | 57 968 624 |
| Surplus (Deficit) before capital grants and contributions | 1 097 960 | | 1 097 960 |
| Capital Grants and contributions | 3 078 749 | 38 197 | 3 116 946 |
| Surplus (Deficit) after capital grants and contributions | 4 176 710 | 38 197 | 4 214 907 |
| Taxation | 24 893 | | 24 893 |
| Surplus (Deficit) after taxation and capital grants and contributions | 4 151 817 | 38 197 | 4 190 014 |

No other changes were made to the operating budget as approved by Council on 21 February 2019.

CAPITAL ADJUSTMENT BUDGET FOR 2018/19

The current approved capital budget increases approximately by an amount of R38.2 million.

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The table below reflects the high-level summary of the proposed adjustments to be made to the 2018/19 financial year.

| Capital | 2017/18 R 000 |
|---|------------------|
| Approved Budget | 8 064 898 |
| Adjustments | 38 197 |
| Adjustment Budget | 8 103 095 |
| Adjustments to loans and cash surplus | |
| Adjustments to grant funding and public contributions | 38 197 |
| Adjustments | 38 197 |

The following capital projects were adjusted to accommodate the adjusted National Government grants:

Development Planning Department

| Project Name | Grant | Effect and amount propose |
|------------------------------------|-------|---------------------------|
| 3879_02_Jabulani Precinct Upgrades | NDPG | Increase by R39.9 million |

City Power

| Project Name | Grant | Effect and amount propose |
|---|-------|---------------------------|
| Electrification of various Informal Settlements various areas | INEPG | Decrease by R1.6 million |

Transport Department

| Project Name | Grant | Effect and amount propose |
|----------------------------|-------|---------------------------|
| Rea Vaya Bus Rapid Transit | PTNG | Decrease by R33 thousand |

Details of the above adjustments on the capital budget are reflected in Annexure F attached.

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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

| <u>Consolidated Operating Budget</u> <u>(including internal transfers)</u> | Approved Budget R 000 | Adj- ments R 000 | Adjusted Budget R 000 |
|---|-----------------------------|------------------------|-----------------------------|
| Total Revenue | 59 066 585 | | 59 066 585 |
| Total Expenditure | 57 968 624 | | 57 968 624 |
| Capital Grants and Contributions | 3 078 749 | 38 197 | 3 116 946 |
| Taxation | 24 893 | | 24 893 |
| Surplus (Deficit) for the year | 4 151 817 | 38 197 | 4 190 014 |

Capital Budget

The 2018/19 capital budget increases by an amount of R38.2 million from R8 064 898 000 to R8 103 095 000 as reflected in the attached Annexure E.

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.

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IT IS RECOMMENDED

- 1 That the Adjustment Operating Revenue and Expenditure for Core Administration and Municipal Entities as set out in Annexure A, B, C and D be approved.**
- 2 That the Adjustment Capital Budget for 2018/19 amounting to R8 103 095 000 as set out in Annexure E and F be approved.**
- 3 That the supporting information contained in the 2018/19 Adjusted Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be considered in conjunction with this report.**

(FINANCE)
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(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM