



The 2013/2014 Municipal Adjustments Budget Process

1. Introduction

In every financial year of a municipality, it is expected that a performance assessment (review) with regard to the implementation of the agreed IDP strategic objectives and the service delivery programmes as outlined in our SDBIP must be done after every quarter.

After the Mid Year assessment has been done both financial and non – financial report must be compiled as in accordance to section 72 of the Municipal Finance Management Act (MFMA) to assess whether it is necessary for the municipality to adjust or review its budget (Adjustment Budget) or not.

In our case, we are assessing our performance on a quarterly basis through an SDBIP and quarterly financial reports. As a result there will be a need to review our approved budget through processes of Adjustment Budget.

The Mid Year report of December 2013 and its SDBIP were used to review whether we have spent and collected accordingly and whether we have implemented the approved programmes.

2. Legislative Provisions

In terms of sec 28 of the Municipal Finance Management Act no, 56 of 2003:-

.....28. (1) *A municipality may revise an approved annual budget through an Adjustment Budget.*

(2) *An adjustment budget—*

(a) *must adjust the revenue and expenditure estimates 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 roll-overs when the annual budget for the current 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.

(3) An adjustments budget must be in a prescribed form.

(4) Only the mayor may table an adjustments budget in the municipal council, but an Adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any Prescribed limitations as to timing or frequency.

(5) When an adjustments budget is tabled, it must be accompanied by—

(a) an explanation how the adjustments budget affects the annual budget;

(b) a motivation of any material changes to the annual budget;

(c) an explanation of the impact of any increased spending on the annual budget And the annual budgets for the next two financial years; and

(d) any other supporting documentation that may be prescribed.

(6) Municipal tax and tariffs may not be increased during a financial year except when Required in terms of a financial recovery plan.

(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in Such application a reference in those sections to an annual budget must be read as a Reference to an adjustment budget.

Municipal Financial Performance as per the Mid Year (December 2013)

LIM355 Lepelle-Nkumpi - Table C4 Consolidated Monthly Budget Statement - Financial Performance

(revenue and expenditure) - M06 December

Description	Budget Year 2013/14		
	Original Budget	YearTD actual	% receipts to date
Revenue By Source			
Property rates	20 406 331	9 575 976	47%
Service charges - water revenue	6 563 529	14 708 363	224%
Service charges - sanitation revenue	834 768	1 870 954	224%
Service charges - refuse revenue	5 541 200	2 618 176	47%
Rental of facilities and equipment	288 281	110 897	38%
Interest earned - external investments	4 752 000	1 619 445	34%
Interest earned - outstanding debtors	7 392 000	6 609 853	89%
Fines	620 000	459 435	74%
Licences and permits	33 000	9 873	30%
Agency services	6 000 000	3 826 740	64%
Transfers recognised - operational	144 834 667	103 843 921	72%
Other revenue	41 302 008	1 748 942	4%
Total Revenue (excluding capital transfers and contributions)	238 567 784	147 002 576	62%
Expenditure By Type			% spending to date
Employee related costs	63 428 497	28 490 790	45%
Remuneration of councillors	15 339 649	6 933 850	45%
Debt impairment	15 843 799	-	0%
Depreciation & asset impairment	20 178 537	-	0%
Finance charges	237 600	101 148	43%
Other materials	13 537 889	426 282	3%
Contracted services	4 188 404	1 735 506	41%
Transfers and grants	4 800 000	-	0%
Other expenditure	45 288 212	19 336 295	43%
Total Expenditure	182 842 586	57 023 871	31%

1. OPERATING REVENUE➤ Services charges for water and sanitation

The budget for commission received of providing water on behalf of the CDM was incorrectly disclosed as services revenue instead of other revenue and the amount should be increased as follows:

- ✦ Commission for water from R 6 563 529 to R 30 000 000
- ✦ Commission of sanitation from R 834 768 to R 3 840 000

The original budget disclosed the commission on cash basis instead of invoice basis as per the GRAP standards.

➤ **Interest earned – outstanding debtors**

The amount need to be adjusted to cater for the reversal of interest charged to consumers for the period July 2013 to Dec 2013 when statements were not issued due to separation of accounts.

➤ **Fines**

The amount will increase from R620 000 to R 7 200 000, this in line with GRAP standards were fines are disclosed on accrual basis and not on cash basis.

➤ **Other revenue**

The budget for the above mentioned revenue source will decrease by R 14 531 000.00 to R 31 000. The amount was budgeted for the sale of sites at Unit C and we are unable to continue with the development and sale of the site due to the outstanding ROD (Record of Decision) for EIA (Environment Impact Assessment) before the laying of infrastructure (water, sewerage, electricity and roads) for sustainable human settlement.

2. GENERAL EXPENDITURE

➤ **Employee related cost**

- ✦ Performance Bonus for section 57 Managers
Performance bonus will decrease by R469 701, only the Executive Manager Community Services is eligible for performance bonus due to fact that other Executive Managers did not hold their positions for the full year. The saving will be used to cater for the payment of a researcher and secretary in the Mayor's office.

➤ **Other material(Repairs and maintenance)**

This expenditure type includes repairs and maintenance for

- ✦ Municipal Buildings,
- ✦ Roads and Storm water,
- ✦ Municipal Streetlights and High Mast Lights and
- ✦ Regravelling of Municipal Roads.

The total expenditure to date is 3.14%, out of the budget of R 13 537 889 only R 426 282 was spent. The budget performance for the above mentioned maintenance category is as follows

Category	Budget	Actual	% spending	Proposed adjustment
Municipal Building	90 000	23 975	27%	
Roads and stormwater	829 576	150 950	18%	

Electricity	1 500 000	6 654	0%	
Regravelling of Roads	8 000 000	-	0%	4 000 000
TOTAL	10 419 576	181 579	0	4 000 000

➤ **Transfer and Grants**

80% of the amount collected on behalf of the Department of Roads and Transport was incorrectly paid from other expenditure. A journal was prepared to correct error and the actual amount already paid is R 1 641 940

3. CAPITAL EXPENDITURE

LIM355 Lepelle-Nkumpi - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding - M06 December

Vote Description	Budget Year 2013/14		
	Original Budget	YearTD actual	% spending to date
Capital Expenditure - Standard Classification			
<i>Governance and administration</i>	29 477 311.00	70 779.84	0.24%
Corporate services	29 477 311.00	70 779.84	0.24%
<i>Community and public safety</i>	22 488 828.00	3 641 306.13	16.19%
Community and social services	16 375 150.00	3 641 306.13	22.24%
Sport and recreation	6 113 678.00	-	0.00%
<i>Economic and environmental services</i>	34 499 022.00	1 226 018.15	3.55%
Planning and development	700 000.00	-	0.00%
Road transport	33 799 022.00	1 226 018.15	3.63%
<i>Trading services</i>	21 563 185.00	976 189.61	4.53%
Electricity	17 563 185.00	976 189.61	5.56%
Waste water management	4 000 000.00	-	0.00%
Total Capital Expenditure - Standard Classification	108 028 346.00	5 914 293.73	5.47%
Funded by:			
National Government	46 757 702.00	914 409.51	1.96%
District Municipality	400 000.00		0.00%
Other transfers and grants			
Transfers recognised - capital	47 157 702.00	914 409.51	1.94%
Public contributions & donations			
Borrowing			
Internally generated funds	60 870 496.00	4 999 884.22	8.21%

Total Capital Funding	108 028 198.00	5 914 293.73	5.47%
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➤ Governance and administration

✚ Corporate Services (Institutional capital expenses)

This expenditure type includes the following projects with minimal spending

- Development of municipal sites at Unit C
The amount will be reduced from R 12 532 400 to R 923 440. We are unable to continue with the development and sale of the site due to the outstanding ROD (record of Decision) for EIA (Environment Impact Assessment) before the laying of infrastructure (water, sewerage, electricity and roads) for sustainable human settlement.
- Extension of Municipal Offices
Budgeted amount of R 6 000 000 remains unspent as at 31 December 2013, we had contractual obligations that needed to be cleared with the service provider before effecting payments and the municipality's intention is to complete the project before the end of the financial year.
- Revitalisation of Municipal Building (cultural centre)
The amount will reduce from R 2 8 880 000 to R 1 880 000; the consultant is already appointed and we will start with the procurement processes for the appointment of the contractor.
- Revitalisation of the Municipal Hall(Civic Hall)
The amount of R 4 325 221 remained unspent as at December 31 and will remain the same as the contractor was appointed in December 2013 and construction will resume soon.

➤ Community and public safety

✚ Community and Social Services

The following are minimal spending projects

- High mast Lights
The amount of R 2 745 000 remained unspent as at December 2013, R 2145 000 is from MIG and R 600 000 from own funding and the amount will be spent before the end of the financial year.
- Development of new cemetery at Lebowakgomo
The amount will be reduced from R 3 680 000 to R 2 680 000
- Construction of Community Hall
Construction could not commence due to the non issuance of PTO (Permission To Occupy) which was issued in December 2013. The contractor was appointed and construction will commence during the last week of January 2014 as the PTO has

been issued and the Budget of R 3 750 000 will be spent before the end of the financial year.

✚ Sport and recreation

- Refurbishment of Lebowakgomo Sports Complex

The Contractor was appointed in Jan 2014 and the budget of R 6 113 678 will be spent before the end of the financial year, the projects is MIG funded

➤ Economic and Environmental Services

✚ Planning and development

- Paving of Zone A and Zone F Market Stall areas

We have already started with the SCM processes for the appointment of the contractor and the project will be completed before the end of the financial year.

✚ Road transport

The following projects are MIG funded projects

- Upgrading 7km road from Gravel to Block paving - Zone F Phase 2

The contractor was appointed in January 2014

- Lining of Storm Water Drainage in Lebowakgomo Zone B

The contractor was appointed in December 2013

- Upgrading from Gravel to Block paving of Street and Storm water- Rockville to Tleane

The contractor was appointed in January 2014

➤ Trading Services

✚ Electricity

	Original budget	Proposed Adjustment budget	Reason for Adjustment
Electrification of Klienhaiwel (285)	3 277 500.00	341 250.00	Projects is implemented by Eskom
Electrification of Majjane(30) and Leshoaneng (350)	735 850.00	2 735 850.00	The contractor is already appointed and his contract amount is above the budgeted amount. The original budget was not equivalent to the number of households to be electrified
Electrification of Serobaneng(41), Hweleshaneng(65), Mogodi(40) and Makgoba(120)	3 059 000.00	3 059 000.00	The contractor for Serobaneng appointed in January 2014
Electrification of Mehlareng(50), Dublin(50), Ngwaname(30), Matome(120), Bolatjane(60)	3 465 675.00	3 465 675.00	The contractor for Mehlareng appointed in January 2014
Motantanyane (500)	5 000 000.00	5 000 000.00	The contractor for Motantanyane appointed in January 2014
TOTAL	15 538 025.00	14 601 775.00	

✚ Waste water management

The amount was incorrectly gazetted by National treasury and the error was corrected. This is an indirect grant and will no longer be transferred directly into the Municipality's account. The R 4 000 000 will be adjusted.

4. SPECIAL ADJUSTMENT IN TERMS OF SECTION 32

The following projects were not rolled over from previous financial year:

Description	Original budget	Unauthorised expenditure	Proposed Adjustment	Reason
Magalle	0	23 626		Amount not rolled over and already paid
Mamogashoa	0	306 012		Amount not rolled over and already paid
Jekgophokgophong	0	73 351		Amount not rolled over and already paid
Bolahlakgomo	0	62 744		Amount not rolled over and already paid
Road and stormwater: Broiler Farm	0	114 941		Amount not rolled over and already paid
Road and stormwater: Hlakano	0	196 678	1 500 000	Amount not rolled over and already paid additional R 1500 000 needed to cater for the contractor's final certificate
Small Access Bridges	0	0	2 700 000	Contractors appointed in the 2012/2013 financial statements through the Vukuphile projects, the amounts were not rolled over to the current financial year
TOTAL		777 352	4 200 000	

5. MUNICIPAL CONDITIONAL GRANT

LIM355 Lepelle-Nkumpi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December

Description	Budget Year 2013/14			Reason for low spending
	Original Budget	YearTD actual	% Grant spending	
Operating expenditure of Transfers and Grants				
National Government:	3 638 000	2 089 921		
Finance Management	1 550 000	664 347	43%	
Municipal Systems Improvement	890 000	352 039	40%	
EPWP Incentive	1 198 000	1 073 535	90%	
District Municipality:	3 006 667	-		
<i>CDM: Landfill Site</i>	3 006 667	-	0%	The new landfill site was officially opened early November 2013
Total operating expenditure of Transfers and Grants:	6 644 667	2 089 921	-	
Capital expenditure of Transfers and Grants				
National Government:	51 903 000	1 228 921	2%	
Municipal Infrastructure Grant (MIG)	42 903 000	1 228 921	3%	High staff turnover at Technical Services
Rural Households Infrastructure	4 000 000	-	0%	Amount incorrectly gazetted by National Treasury
Integrated National Electrification Programme & Other	5 000 000	-	0%	Contractor recently appointed
District Municipality:	400 000	132 562	33%	
<i>Capricorn District Municipality</i>	400 000	132 562	33%	
Total capital expenditure of Transfers and Grants	52 303 000	1 361 483	3%	
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	58 947 667	3 451 404	6%	

6. UNSPENT CONTIONAL GRANT WITHHOLD BY NATIONAL TREASURY

DESCRIPTION	ALLOCATION AS PER DoRA	TRANSFERRED BY NATIONAL TREARY	WITHHOLD BY TREASURY – PREVIOUS YEAR'S	WITHHOLD BY TREASURY – CURRENT YEAR
Equitable share	138 190 000	98 175 000		
Financial management grant	1 550 000	1 550 000	846 000	27 000
Municipal support grant	890 000	890 000	255 000	52 000
Municipal infrastructure grant	42 903 000	7 005 000	7 600 000	2 200 000
Department of mineral energy	5 000 000	5 000 000	2 400 000	1 300 000

✦ National Treasury has already withhold the following unspent grants:-

- R3 200 000 for 2009/2010 financial year, R19 000 from MSIG, R846 000 from FMG and R2 400 000 from DME.
- R7 835 000 for 2010/2011 financial year, R236 000 from MSIG and R7 600 000 from MIG.
- R3 600 000 for 2011/2012 financial year, R52 000 from MSIG, R27 000 from FMG, R2 200 000 from MIG R1 300 000 from DME.
- All the unspent conditional grants were offset against Equitable Share.

PROPOSED ADJUSTMENT BUDGET

REVENUE

Vote	Budget	Proposed Adjustment	Up-wards/Downwards Adjustment
Grant & Subsidy	197 137 667	193 137 667	(4 000 000)
Other Revenue	93 733 117	116 505 580	22 772 463
Total Revenue	290 870 781	309 643 247	18 772 463

OPERATING EXPENDITURE

Vote	Budget	Proposed Adjustment	Up-wards/Downwards Adjustment
Salaries & Wages	62 447 256	61 714 773	(732 483)
Councilors Allowance	15 339 649	15 339 649	-
General Expenditure	54 514 216	58 731 555	4 217 339
Repairs and Maintenance	13 537 889	8 901 576	(4 636 313)
Provisions	37 003 576	66 653 547	29 649 971
Total Operating Expenditure	182 842 586	211 341 100	28 498 514

CAPITAL EXPENDITURE

Vote	Budget	Proposed Adjustment	Up-wards/Downwards Adjustment
Electricity Projects	20 308 335	837 818 20	529 483
Roads & Storm Water Projects	38 498 874	010 493 42	3 511 619
Community & Social Projects	19 743 678	499 378 18	(1 244 300)
Buildings	25 737 621	128 661 13	(12 608 960)
Institutional Development	3 739 690	825 797 3	86 107
Total Capital Budget	108 028 198	98 302 147	9 726 051

Vote	Budget	Proposed Adjustment	Up-wards/Downwards Adjustment
Total Revenue Budget	290 870 784	309 643 247	18 772 463
Total Expenditure	182 842 586	211 341 100	28 498 514
Surplus/Deficit	108 028 198	98 302 147	(9 726 051)