



LEPELLE-NKUMPI LOCAL MUNICIPALITY

Postal Address
Private Bag X07
CHUENESPOORT
0745

www.lepelle-nkumpi.gov.za

Physical Address
170 BA Civic Centre
LEBOWAKGOMO, 0737
Tel : (+27)15 633 4500
Fax : (+27)15 633 6896

EXECUTIVE SUMMARY 2018/2019 ADJUSTMENT BUDGET

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 quarterly 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 2018 and its SDBIP were used to review whether we have spent and collected accordingly and whether we have implemented the approved programmes.



2. Purpose

To present to audit committee the proposed 2018-2019 adjustment budget

3. 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.

4. Discussions



Description	Budget Year 2018/19						Comments
	Original Budget	Increase	Decrease	Adjusted Budget	Budget Year +1 2019/20	Budget Year +2 2020/21	
					Budget +2	Budget +3	
Revenue By Source							
Property rates	25,864,007.90	-	-	25,864,007.90	27,260,664.33	28,760,000.87	
Service charges - refuse revenue	7,628,612.30	-	300,000.00	7,328,612.30	7,724,357.37	8,149,197.02	Adjusted downwards due to over projection on Landfill revenue
Rental of facilities and equipment	1,092,273.48	-	110,000.00	982,273.48	1,035,316.10	1,092,258.49	Adjusted downwards due to over projection
Interest earned - external investments	14,761,048.07	-	10,000,000.00	4,761,048.07	5,018,144.67	5,294,142.63	Will be adjusted downwards due to over projection of interest on investment made with VBS which will not be materialised of R10 Million
Interest earned - outstanding debtors	4,687,130.95	5,000,000.00	5,000,000.00	9,687,130.95	10,210,236.03	10,771,799.01	The Municipality had anticipated implementation of the credit control strategies through the appointed service provider with the aim of increasing the

Fines, penalties and forfeits	1,444,696.60		-	909,792.00	534,904.60	1,462,379.26	1,542,810.12	<p>payment rate hence the understatement of interest earned – outstanding debtors budget the vote will be adjusted upwards by R5,000,000.00 during the adjustment budget.</p> <p>The budget for traffic fines is at R1 444 696.60 and is in line with GRAP standards were fines are disclosed on accrual basis and not on cash basis. The provision of R450, 000 made for unpaid traffic fines. Electronic Traffic fine management system contract expired on the 12 Feb 2018 to date. The new service provider is not yet appointed and the issuing of traffic fines are suspended until the appointment of new service provider. The will be downwards</p>
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												adjustment of R900,000
Agency services	10,232,786.68	17,978.51	17,978.51	10,250,765.19	11,804,306.51	12,453,543.37						Included in the budget for agency services is water agency services and income from licencing
Transfers and subsidies	237,598,926.00	-	-	237,598,926.00	255,980,000.00	274,966,000.00						The operating grant includes all operating grants and they were received as per the DoRA transfer schedule. The total operating grants received are at 71.53%. R7 080 000.00 is withheld by National Treasury. R500 000.00 from Finance Management Grant and R6 580 000 from Integrated Electrification programme for 2017-2018 unspent grants
Other revenue	222,316,423.01		-	109,052,337.23	64,594,706.41	6,032,771.06						Other revenue budget includes

<p>accumulated surplus of an amount of R198 715 804.00 from the savings of the previous financial year R19 200 000.00 for sale of sites and R 4 400 619.00 revenue from other sources excluding grants and subsidies. The actual receipts from other revenue for the month under review is R64 604.69. The accumulated surplus will be reduced by R150 000 000.00 due to non-recovery of VBS investment.</p> <p>The sale of site will increase from R19,000,000 to R55,860,000 due to projected revenue of selling of 931 sites @ R60,000.00 each at unit H,R to Q</p>								
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Total Revenue (excluding capital transfers and contributions)	525,625,905.00	5,017,978.51	-	119,565,899.26	406,060,005.74	385,090,110.68	349,062,522.56	
<u>Expenditure</u>								
<u>By Type</u>								
Employee related costs	106,493,765.76		3,992,978.06		102,500,787.70	112,321,884.62	118,472,088.27	Budget will be adjusted downwards due to non-filing of vacant positions
Remuneration of councillors	27,715,030.99		1,500,449.21		26,214,581.78	29,211,642.67	30,818,283.01	
Debt impairment	29,017,857.01	-			31,017,857.01	24,370,353.69	25,710,723.14	
Depreciation & asset impairment	36,000,000.00		-		36,000,000.00	37,944,000.00	40,030,920.00	
Finance Cost	150,000.00		-		150,000.00	71,250.00	75,168.75	
Other materials	11,069,266.87		1,308,067.96		7,468,859.87	3,398,799.29	3,207,983.25	The under performance on other materials is due to delays in SCM processes. The votes are underspending and it will be adjusted downwards during adjustment budget.
Contracted services	95,936,662.82		48,907,139.82		89,419,715.89	61,482,324.43	55,825,903.36	To increase upwards to cater unauthorised

Other expenditure	62,258,471.54	-	25,365,462.57	47,526,080.36	29,055,560.89	31,198,634.21	expenditure included in the contracted services budget is Electricity reticulation and professional fees The under performance on other expenditure is due to delays in SCM processes. The votes are underspending and it will be adjusted downwards during adjustment budget.
Total Expenditure	368,641,055.09	-	27,365,462.57	340,297,882.61	297,855,815.59	305,339,703.99	
Transfers and subsidies capital (monetary allocations) (National Provincial and District)	53,003,000.00			53,003,000.00	54,074,000.00	57,035,000.00	
Surplus/ (Deficit) for the year	209,987,849.91		27,365,462.57	118,765,123.00	141,308,295.09	100,757,818.57	

Table B5 Adjustments Capital Expenditure Budget by Functional Classification and funding

Description	Budget Year 2018/19						Budget Year +1 2019/20		Budget Year +2 2020/21	
	Original Budget	Increase	Decrease	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	
Capital Expenditure - Functional										
Governance and administration	10,960,000.00	-	- 3,667,600.00	7,292,400.00	8,557,500.00	6,055,937.50				
Finance and administration	10,960,000.00	-	- 3,667,600.00	7,292,400.00	8,557,500.00	6,055,937.50				
Community and public safety	57,436,452.77	-	-22,493,690.53	34,942,762.24	24,637,000.00	14,100,000.00				
Community and social services	39,299,452.77	-	-11,856,690.53	27,442,762.24	15,000,000.00	4,500,000.00				
Sport and recreation	18,137,000.00	-	-10,637,000.00	7,500,000.00	9,637,000.00	9,600,000.00				
Economic and environmental services	129,651,397.23	-	-58,949,436.47	70,701,960.76	103,613,795.09	80,601,881.07				
Planning and development	3,000,000.00	-	- 3,000,000.00	-	-	4,100,000.00				
Road transport	125,651,397.23		-55,449,436.47	70,201,960.76	103,613,795.09	76,501,881.07				
Environmental protection	1,000,000.00		- 500,000.00	500,000.00	-	-				
Trading services	11,940,000.00	-	- 6,112,000.00	5,828,000.00	4,500,000.00	-				

Energy sources	4,440,000.00	- 1,612,000.00	2,828,000.00	-	-
Waste management	7,500,000.00	- 4,500,000.00	3,000,000.00	4,500,000.00	-
Total Capital Expenditure - Functional	209,987,850.00	-91,222,727.00	118,765,123.00	141,308,295.09	100,757,818.57
Funded by:					
National Government	50,352,850.00	1,520,150.00	51,873,000.00	51,750,795.09	54,584,018.82
Transfers recognised - capital	50,352,850.00	1,520,150.00	51,873,000.00	51,750,795.09	54,584,018.82
Internally generated funds	159,635,000.00	-92,742,877.00	66,892,123.00	89,557,500.00	46,173,799.75
Total Capital Funding	209,987,850.00	89,702,577.00	118,765,123.00	141,308,295.09	100,757,818.57


TS MORGASWI
ACTING MUNICIPAL MANAGER