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## **Mayor's report**

A little over six months has lapsed since the commencement of the 2010/11 financial year. Against the backdrop of the mid year financial transactions of Greater Letaba Municipality and in view of the projections for the remaining months, it stands to reason that the municipal council needs to revise the approved annual budget by way of adjustments budget. The municipality takes cognizance of the window opportunity available until the 28 February to administer adjustments budget in quest for accelerating service delivery.

The original budget for the 2010/11 financial year had an estimated revenue of R196 000 000 but subsequently revised downwards to R168 344 000. The downward adjustment is created mainly by R34 238 000 from the municipal infrastructure grant which was transferred to the municipality during the 2009/10 financial year for implementation of capital projects. It is permissible to shift municipal infrastructure grant on multi-year funding for implementation of capital programme. It is clear that the municipality is overspending on capital programme.

There is need for downward adjustment on grants and subsidies from the original budget of R156 241 000 to R131 178 000. This is informed by the wish to accurately respond to the needs of the communities.

The original budget for the Integrated National Electrification Grant stood at R 5 000 000 but later adjusted upward to R 9 000 000. The municipality is making a giant leap forward in alleviating poverty and improving the living conditions of the residents by electrifying new residential sites at various villages.

Mopani District Municipality as the water services authority originally budgeted R12 282 051 but allocated R15 512 821 for subsidy on free basic water. The revised budget has upward adjustment. The decision of the Mopani District Municipality is welcome. The increase will go a long way in providing free basic water to people who qualify.

The original budget amount of R2000 000 earmarked for rehabilitation of existing streets in Modjadjiskloof town is revised to upward adjustment of R6000 000. The main reason for the upward adjustment is caused by the recent heavy rains which caused a great damage to the streets which are located in a steep topography. The streets in town are aged and will need funding over a period of time to get rehabilitated in phases.

The institutional structure of the municipality which has budgeted vacant posts makes the municipality to continue absorbing people with expertise without any financial constraints. It is essential that all budgeted vacant posts are filled during the financial year in question.

**Resolutions:**

In the light of the reasons advanced, it is recommended that municipal council consider and approve the adjustments budget for the remaining financial year of 2010/11.

That the adjustments budget is approved together with revision of monthly and quarterly service delivery and performance indicators in the service delivery and budget implementation plan.

# GREATER LETABA MUNICIPALITY

## Adjustments budget for 2009/2010 financial year

### 1. BACKGROUND

In terms of the of the section 23(1) of the Municipal Budget and Reporting Regulations, gazette number 32141 of 17 April 2009, an adjustment budget may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.

A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation before approving the adjustments budget. When approving an adjustments budget, a municipal council must consider and adopt separate resolutions dealing with the following:

- Approval of adjustments budget;
- Approval of any adjustments permitted in terms of section 28(2) of the MFMA which includes amongst others unauthorised expenditure;
- Approval of transfers of funds to a separate bank account for purposes contemplated in section 12 of the MFMA;
- Approval of revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, if any, to correspond with the approval of the adjustments budget;
- Approval of any amendments to budget-related policies necessitated by the adjustments budget.

### 2. REVENUE

#### 2.1. Grants and subsidies and own revenue

- Equitable shares increased by R3 670 279 from R78 967 498. The additional funding is for additional costs in the supply of free basic services.
- Water subsidy has increased from the original budget of R6 000 000 to R11 282 051 which represent an increase of R5 282 051. The Mopani District Municipality did not supply the municipality with the correct estimated revenue to be transferred during

the time of preparation of the annual budget hence an estimation of R6 000 000 which resulted in this material adjustment.

- During the preparation of the 2008/2009 adjustments budget, a R10 000 000 entry was done as a result of the letter from the Department of Mineral Energy for the funding of electrification project. This amount was not gazetted in the Division of Revenue Act and could not be considered in the 2009/2010 annual budget. Only an amount of R4 435 000 has been gazetted in 2009/2010 financial year by the Department of Energy for electrification of 21 villages as per commitment by the council of Greater Letaba Municipality during the 2008/2009 budget year. A further R9 000 000 is gazetted for the 2010/2011 financial year. Due to a timing difference in terms of the National Government & Local Government financial years, a total adjustment of R13 435 000 will be effected in the 2009/2010 adjustments budget of the Greater Letaba Municipality as the implementation of the projects began as a result of the commitment previously made by the Department of Energy.
- The municipality has from July to December collected R6 735 652 from a total billing of R12 740 152. The resulted in the downwards adjustment of R9 506 125 (revenue forgone).
- A payment from South African Revenue Services of R4 769 781 for VAT claims, and the positive bank balance for both main account and traffic bank accounts as at 30 June 2009 of R11 251 296 led to surplus funds. A positive adjustment of R5 000 000 on surplus funds has been effected in the budget adjustment from original R1 796 350.
- In total, an upwards adjustment of R7 102 855 has been done which is represented by the following:

- Equitable shares	R 3 670 279
- Water subsidy	R 5 282 051
- Department of Energy grant	R 13 435 000
- Surplus funds	<u>R 3 203 650</u>
TOTAL	R25 590 980
- Less: revenue forgone	<u>R 9 506 125</u>
ADJUSTED REVENUE	<b><u>R16 084 855</u></b>

### 3. EXPENDITURE

#### 3.1. Roll-overs

- In terms of section 28(2)(e) of the Municipal Finance Management Act, an adjustments budget 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.

- In terms of section 23(5) of the Municipal Budget and Reporting Regulations, the adjustments budget relating to rollovers must be approved by 25 August of the financial year following the financial year to which the rollovers relate.

The following rollovers were incurred as an expenditure in this current financial year:

- Office furniture	R 554 103
- Computers	R 330 429
- Server (Sebata)	R 368 892
- Municipal Building	R 1 480 000
- Standby quarters	R 250 000
- Renovations at traditional authorities	R 496 000
- Apollo lights	R 574 792
- Caravan Park & Swimming pool	R 650 491
- Electrification of 21 villages	<u>R14 431 538</u>
TOTAL ROLLOVERS	<b><u>R19 136 245</u></b>

### **3.2. New projects (reprioritisation)**

- The municipal embarked on the improvement of its Information Technology systems and as a result, the State Information Technology Agency (SITA) made the following recommendations in addition to the initial projects that were approved in the original budget:

- Disaster Recovery Planning (DRP)	R 300 000
- Server Rack	R 350 000
- Server flooring	R 65 000

- This is also in line with responding to the Auditor General's issues relating to the security of data.
- There is R3 000 000 that was originally budgeted under road maintenance which has been transferred to capital under roads.
- The transfer is due to the fact that the conditions of the roads need completely rebuilding and not ordinary maintenance.
- Dragger machine and top reeve system amounting to R130 000 and R95 000 for both traffic and licensing and refuse removal were also considered during the adjustments budget.
- Due to processes relating to the acquisition of land, amount of R1 500 000 for both Modjadjiskloof and Rotterdam community halls has been shifted from the 2009/2010 financial year to the 2010/2011 financial year.

### **3.3. Increase/Decrease in operating expenses**

