

MOGALAKWENA MUNICIPALITY

2010/11 MID-YEAR REVIEW AND ADJUSTMENT BUDGET

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PART 1 – ADJUSTMENTS BUDGET

1.1 Mayor’s report

The Mayor will present his report separately in the council meeting of 23 February 2011.

The speech will be attached to the minutes of the council meeting.

1.2 Resolutions

The adjustments budget resolutions will be part of the adjustments budget documents after the approval of the adjustments budget.

The Municipal Manager will send the approved documentation to the national and provincial treasury.

1.3 Executive summary

1.3.1 Effect of adjustments budget on service delivery and related financial implications

The demand on the municipality in terms of service delivery is increasing and that requires a substantial amount of resources from the municipality. This ultimately has a negative effect on the budget.

The municipality has not increased municipal tax and tariffs through the adjustments budget as Section 28(6) of the Municipal Finance Management act, 2003 (Act 56 of 2003) states:

“Municipal tax and tariffs may not be increased during the financial year except when required in terms of a financial recovery plan.”

The following table is a summary of the adjustments made to the total budget:

	Approved budget	Increase/ (Decrease)	Adjusted budget
	R	R	R
Total revenue	585,996,114.00	85,902,464.00	671,898,578.00
Total expenditure	460,882,053.00	25,100,045.00	485,982,098.00
Operating surplus	125,114,061.00	60,802,419.00	185,916,480.00
Changes in net assets	125,114,061.00	60,802,419.00	185,916,480.00
Closing surplus	-	-	-

1.3.2 Effect of adjustments budget on provision of basic services

More money has been allocated to repairs and maintenance to provide basic water in villages.

1.3.3 Effect of adjustments budget on service delivery and budget implementation plan

The 2010/11 medium term budget was amended by departmental managers by authorizing the offsetting of operating budget variations within the votes delegated to them, essentially allowing variations within the department budget 'groups' but not across budget groups. Therefore, for example, managers could transfer allocations within an expenditure group such as 'employee costs'. It should also be noted that each capital project also represents a vote requiring Council approval to amend.

The adjustment of the 2010/11 medium term budget has an effect on some of the performance targets in the Service Delivery Budget Implementation Plan and this plan should thus be amended accordingly.

1.3.4 Highlight of adjustments made to approved annual budget

The table below is a summary of the budgeted Statement of Financial Performance for Mogalakwena Municipality, after the adjustments:

MOGALAKWENA ADJUSTMENT BUDGETED STATEMENT OF FINANCIAL PERFORMANCE			
Details	Approved Budget (R)	Adjustment (R)	Adjusted Budget (R)
Property rates	32,307,437.00	-	32,307,437.00
Service charges – electricity	127,089,913.00	6,101,950.00	133,191,863.00
Service charges – water	33,721,699.00	4,841.00	33,726,540.00
Service charges –sanitation	10,468,871.00	-	10,468,871.00
Service charges – refuse	9,179,664.00	-	9,179,664.00
Service charges – others	-	-	-
Rental of facilities	266,205.00	550,000.00	816,205.00
Interest earned investments	8,250,000.00	4,750,000.00	13,000,000.00
Interest earned outstanding debtors	2,120,000.00	-	2,120,000.00
Fines	1,189,079.00	-	1,189,079.00
Licenses and permits	56,939.00	-	56,939.00
Income for agency services	5,697,313.00	650,000.00	6,347,313.00
Government grants	346,473,999.00	71,375,459.00	417,849,458.00
Fire brigade subsidy - Waterberg	4,753,460.00	-	4,753,460.00
Other income	1,921,535.00	803,447.00	2,724,982.00
Profit on sale of land	2,500,000.00	1,666,767.00	4,166,767.00
Total revenue	585,996,114.00	85,902,464.00	671,898,578.00

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Employee related costs	156,623,336.00	(3,158,747.00)	153,464,589.00
Remuneration of councilors	14,483,810.00	-	14,483,810.00
Bulk purchases	106,725,000.00	(111,200.00)	106,613,800.00
Bad debt	32,193,880.00	-	32,193,880.00
Collection costs	167,500.00	(67,500.00)	100,000.00
Repairs and maintenance	41,520,779.00	11,624,541.00	53,345,320.00
Depreciation	50,419,963.00	-	50,419,963.00
Interest paid	-	-	-
General expenditure	50,048,880.00	9,569,551.00	59,618,431.00
Free basic services	18,794,939.00	4,390,000.00	21,984,939.00
Grants and subsidies paid	1,785,487.00	(399,065.00)	2,386,422.00
Contracted services	11,343,656.00	1,552,465.00	12,896,121.00
New connections	1,723,003.00	-	1,723,003.00
Expenditure recharged	(24,948,180.00)	1,700,000.00	(23,248,180.00)
Total operating expenditure	460,882,053.00	25,100,045.00	485,982,098.00

The following table indicates the Adjustment Budgeted Expenditure by Vote:

Operating Expenditure by Vote	Approved Budget (R)	Adjustment (R)	Adjusted Budget (R)
Executive and council	75,227,230.00	1,185,855.00	77,413,085.00
Corporate support services	22,265,560.00	328,828.00	22,794,388.00
Finance	14,044,264.00	(734,300.00)	13,309,964.00
Developmental services	15,700,303.00	(60,300.00)	15,640,003.00
Technical services	133,132,304.00	15,891,321.00	149,023,625.00
Electrical	139,744,790.00	3,826,323.00	142,371,113.00
Community services	28,946,874.00	3,512,318.00	32,459,192.00
Traffic and emergency	31,820,728.00	1,150,000.00	32,970,728.00
Operating Expenditure by Vote	460,882,053.00	25,100,045.00	485,982,098.00

The table below represents the summarized 2010/11 adjustment capital budget for Mogalakwena Municipality:

Capital Expenditure by Vote	Approved Budget (R)	Additional/ Reduced (R)	Adjusted Budget (R)
Executive and council	1,837,499.00	130,000.00	1,967,499.00
Corporate support services	2,393,500.00	(761,228.00)	1,632,272.00
Finance	628,000.00	230,000.00	858,000.00
Developmental services	218,000.00	-	218,000.00
Technical services	153,890,680.00	34,026,447.00	187,917,127.00
Electrical	4,555,500.00	15,755,026.00	20,310,526.00
Community services	5,493,000.00	35,840,075.00	41,333,075.00
Traffic and emergency	1,722,550.00	-	1,722,550.00
Capital Expenditure by Vote	170,738,729.00	85,220,320.00	255,959,049.00

Summarized 2010/11 Adjustment Capital Budget per Funding Source

Funding	Approved Budget (R)	Adjustment (R)	Adjusted Budget (R)
Own Funding (CRR)	14,350,050.00	18,354,014.00	32,704,064.00
Equitable Share	21,530,000.00	1,973,602.00	23,503,602.00
MIG	91,335,680.00	20,006,580.00	111,342,260.00
Office of the Premier	1,448,999.00	-	1,448,999.00
DWAE	34,000,000.00	6,525,558.00	40,525,558.00
DME	-	270,899.00	270,899.00
FMG	74,000.00	260,000.00	334,000.00
European Union	-	-	-
Lottery Funding	-	771,867.00	771,867.00
Neighbourhood Grant	8,000,000.00	37,057,800.00	45,057,800.00
Total	170,738,729.00	85,220,320.00	255,959,049.00

1.4 Adjustments budget tables**1.4.1 The adjustments budget tables**

Table B1	Adjustments Budget Summary (attached as page 346)
Table B2	Adjustments Budget Financial Performance (standard classification) (attached as pages 347 to 349)
Table B3	Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) (attached as pages 350 to 354)
Table B4	Adjustments Budget Financial Performance (revenue and expenditure) (attached as page 355)
Table B5	Adjustments Capital Expenditure Budget by vote and funding (attached as pages 356 to 357)
Table B6	Adjustments Budget Financial Position (attached as page 358)
Table B7	Adjustments Budget Cash Flows (attached as page 359)
Table B8	Cash Backed reserves/ accumulated surplus reconciliation (attached as page 360)
Table B9	Asset Management (attached as page 361)

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Table B10 Basic Service Delivery Measurement (attached as page 362)

1.4.2 Budget related information and explanatory notes

Supporting information and explanations of trends and anomalies for each table are reflected as table SB1 to SB20 (attached as pages 363 to 386)

PART 2 – SUPPORTING DOCUMENTATION

2.1 Adjustments to budget assumptions

2.1.1 Interest rates for borrowing and investment of funds

The municipality has no borrowing obligations. The funds available for investment is higher than initially anticipated, therefore the interest on investment is now anticipated to increase.

2.1.2 Timing of Revenue Collection

Due to the current economic climate, it is still anticipated that it will take longer to collect revenue and bad debts will continue to increase, but for the municipality to remain sustainable a vigorous debt collection campaign will have to be embarked on.

2.1.3 Collection Rates

The average collection rate increased from 74.82% in the previous financial year to 80% by December 2010. Although there has been an improvement in the collection rate, the municipality must further improve on that to be sustainable in the long-term.

2.1.4 Trends in demand for Free or Subsidized Basic Services

Higher demand for free basic services resulted in the municipality not being able to afford to provide free basic electricity to all its consumers. This resulted in the municipality stopping to provide free basic electricity to non-indigents in the 2010/11 financial year. This has however not curbed the demand on the municipality as the current trends indicate that additional expenditure will be incurred than anticipated and this has resulted in the additional funds being allocated towards Free Basic Services.

2.1.5 Ability of the municipality to spend and deliver on programmes

Additional capital projects will be implemented from additional grants allocated through the revised Division of Revenue Act (Government Notice 1212 Gazette number 33879) date 15 December 2010.

2.2 Adjustments to budget funding

Additional allocations from the Division of Revenue Act Government Notice 1212 Gazette number 33879 dated 15 December 2010:

Neighbourhood Development Partnership Grant	R 37 000 000.00
Water Services Operating Subsidy Grant	R 1 154 000.00

Reduced allocations from the Division of Revenue Act Government Notice 1212 Gazette number 33879 dated 15 December 2010:

Regional Bulk Infrastructure Grant	R 1 000 000.00
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Additional income anticipated – operational budget

Interest on investment	R 4 750 000.00
Bulk units - Urban	R 3 100 000.00
- Rural	R 1 700 000.00
Basic charges	R 1 500 000.00
Neighbourhood Development Partnership Grant	R 37 000 000.00
Rental of facilities and equipment	R 550 000.00
Income from agency services	R 650 000.00
Capital roll overs from 09/10	R 31 800 000.00
Insurance claim income	R 8 90 000.00
Sale of land	R 1 700 000.00
Extended Public Works Program incentive grant	R 1 300 000.00
Minor adjustments	R 962 464.00
Total	R 85 902 464.00

2.3 Adjustments to expenditure on allocations and grant programmes

Additional expenditure required – operational budget

Discretionary fund – Mayor	R 1 000 000.00
Overtime	R 1 880 000.00
Private security	R 1 030 000.00
Free basic electricity	R 3 300 000.00
IDP review	R 200 000.00
Surfacing material (polo patch)	R 2 102 000.00
Cost of running swimming pool	R 754 000.00
Ward committee management	R 1 920 000.00

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Legal costs	R 682 000.00
Water service development plan	R 400 000.00
Infrastructure roads	R 2 113 000.00
Infrastructure water	R 7 750 000.00
Conditional project expenditure	R 4 810 000.00
Minor adjustments	R 315 198.00
Savings – Salaries	R(3 158 747.00)
Total	R 25 100 045.00

The additional allocation to infrastructure water is to enable Technical services to do charge outs and not to appoint external service providers.

2.4 Adjustments to allocations and grants made by the municipality

Allocations and grants made by the municipality to the discretionary fund Mayor was increased by R1 000 000.00 through transfers to other votes.

2.5 Adjustments to councillor allowances and employee benefits

Councillor allowances

No adjustments were made to councilor allowances.

Employee benefits

The following is a summary of adjustments made to employee benefits:

Details	Approved Budget (R)	Additional/ Reduced (R)	Adjusted Budget (R)
Housing subsidy	1,198,848.00	28000.00	1,226,848.00
Leave	2,391,482.00	5000.00	2,396,482.00
Travelling allowance	12,001,771.00	(1,187,000.00)	10,814,771.00
Total	15,592,101.00	(1,154,000.00)	14,438,101.00

2.6 Adjustments to service delivery and budget implementation

Section 25 of the Municipal Systems Act requires that each municipal council must adopt a single, inclusive and strategic plan for the development of the municipality. This plan must link, integrate and co-ordinate plans and it should take into account proposals for the development of the municipality.

Section 34 provides that the IDP must be reviewed annually and amended if necessary. It is clear from the budget that stringent budget control must be implemented in order to sustain the viability of the municipality.

The IDP requires the following amendments due to the adjustments budget:

Neighbourhood Development Partnership Grant

Street lights in Mahwelereng to be increased to R 4 219 800.00

Corridor Dudu Madisha to be increased to R7 010 000.00

Library to be added R7 500 000.00

Sport node to be added R 26 328 000.00

Municipal Infrastructure Grant

Construction of concrete pump house to be removed : R2 500 000.00

Steel tanks for Thabaleshoba, Vergenoeg and

Nkidikitlana to be reduced to : R229 549.00

2.7 Adjustments to capital expenditure

Additional expenditure required – capital budget

	Original	Increase/ (Decrease)	Adjusted
Roads and stormwater	66,111,680.00	28,950,030.00	95,061,710.00
Sewerage	11,740,000.00	1,530,464.00	13,270,464.00
Street lighting	3,000,000.00	1,219,800.00	4,219,800.00
Water distribution	72,534,000.00	(1,466,722.00)	71,067,278.00
Cemetery Mahwelereng	-	1,501,968.00	1,501,968.00
Library	-	7,500,000.00	7,500,000.00
Sports node	-	26,328,000.00	26,328,000.00
Upgrading of substations	2,767,000.00	15,184,127.00	17,951,127.00
Highmast lights - Villages	500,000.00	-	500,000.00
Electrification farm workers houses	-	270,899.00	270,899.00
Solar power supply to dumping site	1,500,000.00	-	1,500,000.00
Electricity workshop	838,500.00	250,000.00	1,088,500.00
Call centre	1,448,999.00	-	1,448,999.00
Air conditioner (Tayob Hall)	-	250,000.00	250,000.00
IT support	1,735,000.00	(1,140,000.00)	595,000.00
Finance administration	546,000.00	230,000.00	776,000.00

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Rehabilitation - Dudu Madisha road 1	-	824,614.00	824,614.00
Aerators - replacement	-	2,968,261.00	2,968,261.00
Canter truck	375,000.00	-	375,000.00
Sport and recreation	830,000.00	(58,133.00)	771,867.00
Landfill developmet	300,000.00	-	300,000.00
Waste management	4,310,000.00	538,240.00	4,848,240.00
Traffic lights	680,000.00	-	680,000.00
Other capital expenditure	1,522,550.00	338,772.00	1,861,322.00
Total	170,738,729.00	85,220,320.00	255,959,049.00

The adjustments to Municipal Infrastructure Grant funded projects were informed by the MIG Project Management Unit (PMU) and the Manager Technical Services. Roll-overs from 2009/10 forms part of the adjustments budget.

2.8 Other supporting documents

No amendments were made to budget related policies.

2.9 Municipal manager's quality certification

Quality Certificate

I, Shella William Kekana, Municipal Manager of Mogalakwena Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the adjustments budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print name : _____

Municipal Manager of : Mogalakwena Municipality

Signature : _____

Date : _____