



UTHUNGULU



"An economically sound district with effective infrastructure and a district municipality that empowers people, protects the environment and demonstrates leadership excellence"

uThungulu District Municipality

ADJUSTMENT BUDGET REPORT

2010/11 – 2012/13

JANUARY 2011



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PART 1 – ADJUSTMENT BUDGET

1. MAYORS REPORT

The following are salient points regarding the 2010/11 adjustment budget:

Firstly I wish to highlight the analysed overall total surplus up to 31 December 2010 depicting duly summarized savings of R1.4m emanating from additional identified savings not utilised up to the 31/12/2010.

This includes the increase in trading services revenue due to the exceptionally high collection ratio of 103% and the additional revenue and savings would be utilised to counter effect the decrease in interest revenue due to the subsequent shortfall which resulted from the downward trend in the repo rate including the effect of an increase in trading services expenditure.

A surplus from the 2009/2010 audited AFS has been calculated based on the cash based budget principles and an amount of R45,3m has been brought forward in the 2010/2011 budget.

Forming part of the Adjustment Budget Agenda are amongst others the following detailed tables, relevant reports and recommendations:

- Adjustment Budget Summary,
- Revenue by source (adjustments),
- Operational Expenditure by vote,
- Capital projects by vote, (adjustments),

The detailed effect of the Adjustment Budget is clearly set out in the resolution below and headed Adjustment Budget Summary 2010/2011 with a January Adjustment amount of R113 005 350 also duly summarized, resulting in an Adjusted Budget of R669,781,065

2010/2011 Adjustment Budget Summary					
	Approved Budget	Pre Adjustment Virements Aug - Dec 10	Current Council Virements	January 2011 Adjustment	Adjusted Budget
Revenue by Source					
- Grants & subsidies	162,590,000			3,805,000	166,395,000
- Equitable Share	120,340,000			-	120,340,000
- Levy Replacement Grant	139,638,000			-	139,638,000
Total Government Grant & Subsidies	422,568,000	-		3,805,000	426,373,000
Public Contributions					
- Richards Bay Minerals	2,000,000				2,000,000
Total Public Contributions	2,000,000	-		-	2,000,000
- Other Income	31,245,939			-3,255,530	27,990,409
Total Other Income	31,245,939	-		-3,255,530	27,990,409
Trading Services	30,449,955			3,000,000	33,449,955
Depreciation funding - Reserve	15,000,000			17,000,000	32,000,000
Borrowings	23,309,094			-	23,309,094
Prior Year Grant Funding	19,805,346			47,120,010	66,925,356
Project Rollovers - Internally	12,397,381			-	12,397,381

Funded Capital					
Surplus Brought Forward (2009/2010)	-			45,335,870	45,335,870
Total Revenue	556,775,715	-		113,005,350	669,781,065
Expenditure					
Non-trading services	98,900,610	-640,000	-1,795,500	1,148,454	97,613,564
Trading Services	174,793,163		-	42,474,785	217,267,947
Operational IDP	97,826,927	440,000	518,844	23,537,620	122,323,391
Capital IDP & Internal Fixed Assets	185,255,015	200,000	1,276,656	45,844,491	232,576,163
Total Expenditure	556,775,715	-	-	113,005,350	669,781,065

The summary depicts an upward adjustment of Revenue of R113,005,350 which is per revenue source.

- **Grants and subsidies**
New Grants and carry over grants had a net effect increase of R48,669,480
- **Non Trading and Trading services**
Net effect Increase of R2,000,000
- **Surplus from 2009/10**
R8,986,577
- **Provision utilisation**
Cash of R36,349,293
- **Provision for Depreciation**
Govt Grant Reserve R17,000,000

The summary on above reflects an upward adjustment to operational expenditure per vote amounting to R113, 005,350.

Adjustments to the Operational expenditure Budget by vote has increased by R41,827,739. (Net of current Council virements and January 2011 adjustments)

Adjustments to the Operational Project Budget by vote has increased by R24,056,464 and resulted in a total Operational IDP Budget of R122,323,391. (Net of current Council virements and January 2011 adjustments)

Adjustments to the Capital project budget by vote has increased by R47,121,146 resulting in a total Capital Adjusted Budget of R232,576,162. (Net of current Council virements and January 2011 adjustments)

The summation of the above results is as follows:

Approved Budget 2010/2011
R556,775,715

Approved Budget adjusted by
R113,005,350

Adjusted budget January 2011
R669,781,065.

The following highlights the material issues which required additional funding in the 2010/2011 budget:

- WSSA contract increase by R22,000,000
- Drought relief increased by R12,050,000
- DWA Accounts reimbursed to R7,750,000
- Purchase of Electricity increased by R3,500,000
- Purchase of Water increased by R2,000,000
- Ocean View Sewer Upgrade - The savings from the building being utilised for this much needed Capital project.

Environmental Health Services transfer of staff from Province has not been finalised due to negotiations between the Public Service Trade Unions and the Department of Health, hence a Service Level Agreement was prepared and forwarded to the Dept of Health for signature.

It may therefore be concluded that the low expenditure on the Environmental Health vote has been caused by the lack of readiness on the side of the Department of Health to either transfer staff or sign the Service Level Agreement with uThungulu.

It is evident from the consistent media reports from professional people that floods and droughts will become more frequent due to global warming. The extensive evaporation into the air must at some stage again come down and this seems to be part of the heavy rains being experienced across the country and causing untold havoc.

Extracting water from dams and the payment therefore to the relevant department is understandable. It is however a point of concern that as a District we are expected to pay for water extraction from boreholes where we bear the costs for installation and this is unacceptable and must be addressed with the view to waving this abnormal expenditure.

The Department must accordingly be approached and advised that we are not in favour of paying and will make no further payments until negotiations and a solution had been derived at.

The allocation of MIG funding may not be utilized for maintenance and operations (M&O) and this is a further matter that must be taken up with the relevant authorities with the motivation that at least a percentage is allowed for M & O.

In conclusion may I thank our Municipal Manager Mr B B Biyela, our Deputy Municipal Manager Mr Danie Lubbe, Chief Financial Officer Ms Candy Staniland, Executive Director Corporate Services Ms Krishen Moodley, Executive Director Technical Services Mr Zwe Msoni for adhering to Council's call to wherever possible cut expenditure especially with regards to stationery, catering, for not hosting a Christmas function and forfeiting their entertainment budget, including the Mayor, Deputy Mayor and Speaker.

This being my fourth year in serving at Uthungulu as Mayor and while entitled to submit claims for subsistence I have not made one such claim during my term of office and for the

first three years had no security or driver. This has resulted in an enormous saving of approximately R700 000 for our Council.

It is regrettable to note the amount of corruption that is taking place in all spheres of Government and I am very pleased to announce that we have for the past ten years upheld our reputation in managing our funds in a most responsible and noteworthy manner and wish to thank our competent stewards for upholding such high morals.

The compilation of the Adjustment Budget has been no easy task and I wish to thank the CFO, her staff and the Budget Steering Committee for devoting so much time and energy to this challenging task.

STAN LARKAN (ALD)
MAYOR: UTHUNGULU DISTRICT MUNICIPALITY



2. RESOLUTIONS

2.1 The committee recommends approval of the adjustments budget and the proposed Virements for the 2010/2011 financial year as required in terms of section 28 of the Municipal Finance Management Act, (Act 56 of 2003) and the Municipal Budget and Reporting Regulations as per schedules below:

2.1.1 Table B1 – Budget Summary

Description	Budget Year 2010/11									Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfor e. Unavo id.	Nat. or Prov. Govt	Other Adjus.	Total Adjus.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
R thousands											
Financial Performance											
Service charges	30,450	-	-	-	-	-	3,000	3,000	33,450	34,196	38,453
Investment revenue	23,864	-	-	-	-	-	(1,000)	(1,000)	22,864	25,647	27,708
Transfers recognised - operational	299,620	-	18,099	-	-	-	20,055	38,153	337,773	332,797	342,700
Other own revenue	22,382	-	35,706	-	-	-	43,080	78,787	101,169	19,092	19,419
Total Revenue (excluding capital transfers and contributions)	376,316	-	53,805	-	-	-	65,135	118,940	495,256	411,732	428,280
Employee costs	107,330	-	-	-	-	-	(9,555)	(9,555)	97,775	115,914	125,188
Remuneration of councillors	7,165	-	-	-	-	-	-	-	7,165	7,738	8,357
Depreciation & asset impairment	15,318	-	-	-	-	-	17,000	17,000	32,318	15,318	15,318
Finance charges	15,117	-	-	-	-	-	-	-	15,117	15,117	15,117
Materials and bulk purchases	17,189	-	-	-	-	-	5,500	5,500	22,689	18,220	19,313
Transfers and grants	2,251	-	-	-	-	-	-	-	2,251	2,385	2,528
Other expenditure	189,056	-	18,099	-	-	-	52,739	70,838	259,894	200,771	206,258
Total Expenditure	353,426	-	18,099	-	-	-	65,684	83,783	437,209	375,463	392,079
Surplus/(Deficit)	22,890	-	35,706	-	-	-	(549)	35,157	58,047	36,269	36,201
Transfers recognised - capital	125,756	-	902	-	-	-	47,871	48,773	174,529	162,493	273,194
Surplus/(Deficit) after capital transfers & contributions	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,762	309,395
Surplus/ (Deficit) for the year	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,762	309,395
Capital expenditure & funds sources											
Capital expenditure	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394
Transfers recognised - capital	125,756	-	902	-	-	-	47,871	48,773	174,529	162,533	273,234
Borrowing	-	-	23,309	-	-	-	-	23,309	23,309	-	-
Internally generated funds	22,890	-	12,397	-	-	-	(550)	11,848	34,738	36,230	36,160
Total sources of capital funds	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394
Financial position											
Total current assets	245,594	-	-	-	-	-	(109,200)	(109,200)	136,394	254,253	260,745
Total non current assets	661,988	-	-	-	-	-	28,844	28,844	690,832	754,416	942,157
Total current liabilities	136,644	-	-	-	-	-	3,805	3,805	140,449	148,025	149,751
Total non current liabilities	204,542	-	-	-	-	-	-	-	204,542	207,419	210,274
Community wealth/Equity	566,396	-	-	-	-	-	(84,161)	(84,161)	482,235	653,225	842,877
Cash flows											
Net cash from (used) operating	166,741	53,805	(18,099)	-	-	65,135	(64,245)	(17,209)	36,596	202,234	310,194
Net cash from (used) investing	(126,940)	-	(902)	-	-	-	(47,871)	(48,773)	(175,713)	(200,019)	(310,725)
Net cash from (used) financing	3,087	-	-	-	-	-	-	-	3,087	3,442	3,798
Cash/cash equivalents at the year end	285,818	53,805	(19,001)	-	-	65,135	(112,116)	(65,982)	(12,177)	78,102	81,369

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfor e. Unavo id.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
R thousands											
Cash backing/surplus reconciliation											
Cash and investments available	223,035	-	-	-	-	-	(109,200)	(109,200)	113,835	229,895	234,436
Application of cash and investments	224,067	-	-	-	-	-	-	-	224,067	228,784	232,978
Balance - surplus (shortfall)	(1,032)	-	-	-	-	-	(109,200)	(109,200)	(110,232)	1,111	1,458
Asset Management											
Asset register summary (WDV)	640,998	-	-	-	-	-	-	-	-	732,165	918,572
Depreciation & asset impairment	15,318	-	-	-	-	-	17,000	17,000	34,000	15,318	15,318
Repairs and Maintenance	30,748	-	-	-	-	-	-	-	30,748	-	-
Free services											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	241	-	-	-	-	-	-	-	241	255	271
Households below minimum service level											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

2.1.2 Table B3 – Budget Adjustment Financial Performance by Municipal Vote

Vote Description	Budget Year 2010/11									Budget Year +1	Budget Year +2	
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H			
R thousands												
Revenue by Vote												
FINANCE AND ADMINISTRATION	321,090	-	54,707	-	-	-	112,261	166,968	488,058	363,040	486,731	
COMMUNITY AND SOCIAL SERVICES	466	-	-	-	-	-	-	-	466	559	671	
PUBLIC SAFETY	2,256	-	-	-	-	-	(2,256)	(2,256)	0	2,436	2,631	
ENVIROMENTAL HEALTH	13,780	-	-	-	-	-	-	-	13,780	14,634	15,497	
WASTE MANAGEMENT	5,932	-	-	-	-	-	-	-	5,932	7,119	8,543	
WATER	127,534	-	-	-	-	-	3,000	3,000	130,534	144,629	159,821	
WASTE WATER MANAGEMENT	31,011	-	-	-	-	-	-	-	31,011	41,809	27,580	
Total Revenue by Vote	502,069	-	54,707	-	-	-	113,005	167,712	638,770	574,226	701,474	
Expenditure by Vote												
EXECUTIVE AND COUNCIL	26,599	-	77	-	-	-	1,154	1,231	27,830	28,722	30,881	
FINANCE AND ADMINISTRATION	48,529	-	500	-	-	-	2,673	3,173	51,702	44,717	47,489	
PLANNING AND DEVELOPMENT	8,017	-	14,341	-	-	-	1,328	15,669	23,686	9,656	9,934	
COMMUNITY AND SOCIAL SERVICES	9,168	-	21	-	-	-	1,029	1,050	10,218	9,684	10,208	
PUBLIC SAFETY	9,829	-	543	-	-	-	(2,495)	(1,952)	7,877	10,468	11,202	
ENVIROMENTAL HEALTH	12,996	-	-	-	-	-	(1,590)	(1,590)	11,406	14,634	15,497	
WASTE MANAGEMENT	15,773	-	682	-	-	-	390	1,072	16,845	16,422	17,368	
ELECTRICITY SERVICES	-	-	-	-	-	-	100	100	100	-	-	
WATER	193,034	-	1,468	-	-	-	63,260	64,728	257,762	201,132	223,963	
WASTE WATER MANAGEMENT	29,481	-	465	-	-	-	(164)	301	29,782	40,027	25,536	
Total Expenditure by Vote	353,426	-	18,098	-	-	-	65,684	83,481	407,426	375,462	392,078	
Surplus/ (Deficit) for the year	148,643	-	36,609	-	-	-	47,321	84,231	231,344	198,764	309,396	

3.1.3 Table B5 – Adjustments Capital expenditure by Vote

Vote Description <i>[Insert departmental structure etc]</i> R thousands	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Capital expenditure - Municipal Vote	2											
Multi-year expenditure appropriation												
Vote 4 - COMMUNITY AND SOCIAL SERVICES											1,000	-
Cemetry											1,000	
Vote 9 - WATER		133,472	-	21,310	-	-	-	-	21,310	154,782	177,403	291,294
Municipal Infrastructure & Implementation		122,872		19,734					19,734	142,606	160,993	271,194
Water Services Authority Division		6,000		1,576					1,576	7,576	12,100	12,100
Water Services Provider Division		4,600								4,600	4,310	8,000
Vote 10 - WASTE WATER MANAGEMENT		4,000	-	-	-	-	-	-		4,000	8,000	-
Waste Water Management		4,000								4,000	8,000	
Capital multi-year expenditure sub-total	137,472	-	21,310	-	-	-	-	21,310	158,782	186,403	291,294	
Capital expenditure - Municipal Vote	2											
Single-year expenditure appropriation												
Vote 1 - EXECUTIVE AND COUNCIL		190	-	-	-	-	-	20	20	210	20	-
Administrative Services		160								160		
Municipal Manager's Department		30						20	20	50		
Vote 2 - FINANCE AND ADMINISTRATION		150	-	10,993	-	-	-	(3,825)	7,169	7,319	260	100
Management Services - HR		100								100	60	
Executive Division - Financial Services				536				(90)	446	446	60	
Expenditure Department											30	40
uThungulu House				10,209				(4,000)	6,209	6,209		
Finance Interns		50								50	40	40
Management Services - IT				72				266	338	338	50	
Supply Chain Management Unit				176					176	176	20	20
Vote 3 - PLANNING AND DEVELOPMENT		50	-	-	-	-	-	30	30	80	-	-
Planning Department								30	30	30		
Planning Shared Services		50								50		
Vote 4 - COMMUNITY AND SOCIAL SERVICES		-	-	2,434	-	-	-	-	2,434	2,434	-	-
Community Services												
Cemetry				2,434					2,434	2,434		
Vote 5 - PUBLIC SAFETY		-	-	19	-	-	-	-	19	19	-	-
Fire Fighting				19					19	19		
Vote 6 - ENVIROMENTAL HEALTH		784	-	-	-	-	-	-		784	-	-
Municipal Health		784								784		
Vote 7 - WASTE MANAGEMENT		-	-	1,853	-	-	-	(500)	1,353	1,353	-	-
Solid Waste				1,853				(500)	1,353	1,353		
Vote 9 - WATER		10,000	-	-	-	-	-	47,596	47,596	57,596	12,080	18,000
Executive Division - Technical Services											40	
Municipal Infrastructure Operations & Maintenance												
Municipal Infrastructure & Implementation		10,000						47,510	47,510	57,510	12,000	18,000
Water Services Authority Division								388	388	388		

Vote Description <i>[Insert departmental structure etc]</i> R thousands	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10			
		A	A1	B	C	D	E	F	G	H		
Water Services Provider Division								(302)	(302)	(302)		
Consumer Billing									-	-	40	
Vote 10 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	4,000	4,000	4,000	-	-
Waste Water Management								4,000	4,000	4,000		
Capital single-year expenditure sub-total		11,174	-	15,299	-	-	-	47,321	62,620	73,794	12,360	18,100
Total Capital Expenditure		148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394

3. EXECUTIVE SUMMARY

In accordance with the Municipal Finance Management Act (MFMA), No.56 of 2003 section S28 a municipality may revise an approved annual budget through an adjustments budget:

- (2) An adjustments 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.

Susequent to the MFMA National treasury issued the Municipal budget and reporting regulations. The object of the regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing inform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters required by th Act.

The Mayor may table an adjustment budget as a result of a S72 report if necessary. The Adjustment budget must be tabled to a budget steering committee whos role it is to assist the Mayor in the execution of his duties. The December 2010 mid year review was tabled at the budget steering committee meeting on the 14 January 2011 and the following major adjustments to the following expenditure types were necessary:

- Drought Relief
- Electricity for Water Schemes
- Repairs & Maintenance of Water Schemes
- Raw Water Abstraction Fee – DWAF
- Top Up of Depreciation on Grant Funded Assets

The original drought budget lasted only for 3 months thereafter a virement had to be done from the Raw Water abstraction fee-DWAF to the drought account for an amount of R7,7m. This also was a temporary solution and the DWAF funding had to be replenished. A further R12m was added to the drought budget as the

spending on drought is approximately R2,2m per month. The table below reflects the budget situation prior to the adjustment budget.

DROUGHT RELIEF (2010 /2011)	
Original/Adjusted Budget	11 473 306
Virement from Raw Water Abstraction Fee	7 750 000
TOTAL BUDGET	19 223 306
Less: Expenditure To date (Incl. December)	13 411 929
Budget Available	5 811 377
ESIMATED COST PER MONTH (Based On Actual expenditure from July 2010 to December 2010)	
	2 235 321
Number of Months before remaining Budget is used up	2.5 months
<i>NB : Based on the above info, the balance of funds in this account will be sufficient to cover the expenditure up to mid February 2010.</i>	

The WSSA contract budget was also topped up by R22m due to the costs being about R4m per month. The purchase of bulk electricity also needed to be increased due to the new schemes that are becoming operational from the construction phase as well as the electricity increase expected in April 2011.

Also, in line with the transferred assets that must be recognised and measured in this financial year per Grap 17, depreciation on funded capital would be higher, therefore the deprecation is being increased by R17m.

A concerning factor is that the uThungulu District Municipality's 2010/2011 budget, provided for the take over of the Environmental Health Services in the areas currently serviced by the Provincial Dept. of Health (DoH) and had SLA's with Umlalazi and Umhlathuze. This meant that the Municipality would also be taking over Environmental Health Practitioners (EHPs) currently employed by Province. The Municipality therefore opened negotiations with the District Health Office for the transfer of EHPs and of the applicable assets to the District Municipality. uThungulu District Municipality was preparing for the transfers to take place soon after the beginning of the 2010/2011 financial year. To date no finality has been reached on the transfer as negotiations are ongoing between the District municipality, Province and the local municipalities.

DoH has also verbally indicated that they will expect the municipalities to pay for the services rendered by DoH on their behalf. However, it would seem as though Province does have the budget for the service as they have been performing the service from the beginning of the financial year.

The funding for the adjustment increases to the revenue budget totalling R 113,005,350 is indicated below.

Sub - Vote	Income Type	Details	Motivation	Amount
Finance Executive	Grant	CoGTA	Intergovernmental Relations Framework Grant	(100,000)
Finance Executive	Grant	CoGTA	Establishment & Implementation of IDP Charter	(317,000)
Finance Executive	Grant	CoGTA	Fire Fighting Shared Service	(1,750,000)
Finance Executive	Grant	DWA	Top Up on Regional Bulk Infrastructure Grant	(693,000)
Finance Executive	Grant	National Treasury	09/10 NT Grants Rollover	(467,597)
Finance Executive	Grant	MIG	MIG Timing Differences (TD)	(46,652,413)
Finance Executive	Grant	CoGTA	Gaming Levy Grant	(584,000)
Finance Executive	Grant	CoGTA	Massification Programme Grant	(361,000)
Finance Executive	Other Revenue	Locals Contribution to Shared Services	Locals now pay their portion directly to Service Provider	2,255,530
Finance Executive	Govt Grants Reserve	Provision for Depreciation ex Grants	Provision for Depreciation on Grant Funded Assets	(17,000,000)
Finance Executive	Interest	Interest - External Investments	Constant decline in Repo rate	1,000,000
Finance Executive	Surplus	Solid Waste Site Rehabilitation Prov	Unutilised Cash for the Solid Waste Cell Rehabilitation	(36,349,293)
Finance Executive	Surplus	Surplus Brought Forward	As per Audited 0910 AFS	(6,994,837)
Finance Executive	Surplus	Surplus Brought Forward	Committed Accruals	(1,991,740)
Water	Service Charges	Water Revenue	Increased consumption	(3,000,000)
				(113,005,350)
			Total	(113,005,350)

The effect of the adjustments budget can be summarised as follows:

2010/2011 Adjustment Budget Summary					
	Approved Budget	Pre Adjustment Virements Aug – Dec 10	Current Council Virements	January 2011 Adjustment	Adjusted Budget
Revenue by Source					
- Grants & subsidies	162,590,000			3,805,000	166,395,000
- Equitable Share	120,340,000			-	120,340,000
- Levy Replacement Grant	139,638,000			-	139,638,000
Total Government Grant & Subsidies	422,568,000	-		3,805,000	426,373,000
Public Contributions					
- Richards Bay Minerals	2,000,000				2,000,000
Total Public Contributions	2,000,000	-		-	2,000,000
- Other Income	31,245,939			-3,255,530	27,990,409
Total Other Income	31,245,939	-		-3,255,530	27,990,409
Trading Services	30,449,955			3,000,000	33,449,955
Depreciation funding - Reserve	15,000,000			17,000,000	32,000,000
Borrowings	23,309,094			-	23,309,094
Prior Year Grant Funding	19,805,346			47,120,010	66,925,356
Project Rollovers - Internally Funded Capital	12,397,381			-	12,397,381
Surplus Brought Forward (2009/2010)	-			45,335,870	45,335,870
Total Revenue	556,775,715	-		113,005,350	669,781,065
Expenditure					
Non-trading services	98,900,610	-640,000	-1,795,500	1,148,454	97,613,564
Trading Services	174,793,163		-	42,474,785	217,267,947
Operational IDP	97,826,927	440,000	518,844	23,537,620	122,323,391
Capital IDP & Internal Fixed Assets	185,255,015	200,000	1,276,656	45,844,491	232,576,163
Total Expenditure	556,775,715	-	-	113,005,350	669,781,065

The net effect of the adjustment budget is that the budget increased from R556,775,715 to R669,781,065.

There is projected net **increase R 113m** in revenue which includes the following significant sources of income:

Additional + R 116m

- The inclusion of **R 4m** worth of new grants.
- The inclusion of **R 47m** MIG timing differences from 2009/2010 financial year.
- The inclusion of **R 45m** surplus funds from 2009/2010 financial year.
- An additional Provision of **R 17m** to Government Grants Reserve to fund depreciation on grant funded assets.
- The upward adjustment of **R 3m** on Water service charges as a result of high water demand.

Deducted – R 3m

- The exclusion of **R 2m** worth of other income received from Local Municipalities in respect of Fire Fighting Shared Services as they now pay their portion directly to the service provider.

- The downward adjustment of **R 1m** on Interest on investment due to constant decline in the Reserve Bank repo rate.

The above Revenue adjustments has resulted in an **increase of R 113m** in total expenditure due to the following:

- Net increase of **R 42m** in Operational expenditure (Electricity and Contract Services WSSA Water Schemes, and R 17 Depreciation Provision, amongst others)
- Net increase of **R 24m** in Operational IDP Projects (includes additional R10,3m for water tankers due to drought, R7.75m for DWA Raw Water Fees and R1.9m of Accruals reversed by AG during 2009/10 Audit, amongst others)
- Net increase of **R 47m** in Capital expenditure (Some of these funds were Rollovers from the previous year)

3. ADJUSTMENT BUDGET TABLES

Table B1 – Budget Summary

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfor. e. Unavod.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
R thousands											
Financial Performance											
Service charges	30,450	-	-	-	-	-	3,000	3,000	33,450	34,196	38,453
Investment revenue	23,864	-	-	-	-	-	(1,000)	(1,000)	22,864	25,647	27,708
Transfers recognised - operational	299,620	-	18,099	-	-	-	20,055	38,153	337,773	332,797	342,700
Other own revenue	22,382	-	35,706	-	-	-	43,080	78,787	101,169	19,092	19,419
Total Revenue (excluding capital transfers and contributions)	376,316	-	53,805	-	-	-	65,135	118,940	495,256	411,732	428,280
Employee costs	107,330	-	-	-	-	-	(9,555)	(9,555)	97,775	115,914	125,188
Remuneration of councillors	7,165	-	-	-	-	-	-	-	7,165	7,738	8,357
Depreciation & asset impairment	15,318	-	-	-	-	-	17,000	17,000	32,318	15,318	15,318
Finance charges	15,117	-	-	-	-	-	-	-	15,117	15,117	15,117
Materials and bulk purchases	17,189	-	-	-	-	-	5,500	5,500	22,689	18,220	19,313
Transfers and grants	2,251	-	-	-	-	-	-	-	2,251	2,385	2,528
Other expenditure	189,056	-	18,099	-	-	-	52,739	70,838	259,894	200,771	206,258
Total Expenditure	353,426	-	18,099	-	-	-	65,684	83,783	437,209	375,463	392,079
Surplus/(Deficit)	22,890	-	35,706	-	-	-	(549)	35,157	58,047	36,269	36,201
Transfers recognised - capital	125,756	-	902	-	-	-	47,871	48,773	174,529	162,493	273,194
Surplus/(Deficit) after capital transfers & contributions	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,762	309,395
Surplus/ (Deficit) for the year	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,762	309,395
Capital expenditure & funds sources											
Capital expenditure	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394
Transfers recognised - capital	125,756	-	902	-	-	-	47,871	48,773	174,529	162,533	273,234
Borrowing	-	-	23,309	-	-	-	-	23,309	23,309	-	-
Internally generated funds	22,890	-	12,397	-	-	-	(550)	11,848	34,738	36,230	36,160
Total sources of capital funds	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394
Financial position											
Total current assets	245,594	-	-	-	-	-	(109,200)	(109,200)	136,394	254,253	260,745
Total non current assets	661,988	-	-	-	-	-	28,844	28,844	690,832	754,416	942,157
Total current liabilities	136,644	-	-	-	-	-	3,805	3,805	140,449	148,025	149,751
Total non current liabilities	204,542	-	-	-	-	-	-	-	204,542	207,419	210,274
Community wealth/Equity	566,396	-	-	-	-	-	(84,161)	(84,161)	482,235	653,225	842,877
Cash flows											
Net cash from (used) operating	166,741	53,805	(18,099)	-	-	65,135	(64,245)	(17,209)	36,596	202,234	310,194
Net cash from (used) investing	(126,940)	-	(902)	-	-	-	(47,871)	(48,773)	(175,713)	(200,019)	(310,725)
Net cash from (used) financing	3,087	-	-	-	-	-	-	-	3,087	3,442	3,798
Cash/cash equivalents at the year end	285,818	53,805	(19,001)	-	-	65,135	(112,116)	(65,982)	(12,177)	78,102	81,369

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfor e. Unavo id.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
Cash backing/surplus reconciliation											
Cash and investments available	223,035	-	-	-	-	-	(109,200)	(109,200)	113,835	229,895	234,436
Application of cash and investments	224,067	-	-	-	-	-	-	-	224,067	228,784	232,978
Balance - surplus (shortfall)	(1,032)	-	-	-	-	-	(109,200)	(109,200)	(110,232)	1,111	1,458
Asset Management											
Asset register summary (WDV)	640,998	-	-	-	-	-	-	-	-	732,165	918,572
Depreciation & asset impairment	15,318	-	-	-	-	-	17,000	17,000	34,000	15,318	15,318
Repairs and Maintenance	30,748	-	-	-	-	-	-	-	30,748	-	-
Free services											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	241	-	-	-	-	-	-	-	241	255	271
Households below minimum service level											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

The above table depicts the overall adjustment budget indicators of the municipality as at the 31 January 2011. The financial performance shows an upward movement and financial position showing a downward movement. The Community wealth/Equity has reduced due to the increase in accumulated depreciation with the last year of the implementation of ASB circular 3 as well as the cash reserves being utilised to fund the adjustment budget.

Table B2 – Adjustments Budget Financial Performance by Standard Classification

Standard Classification Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
R thousand											
Revenue - Standard											
Municipal governance and administration	321,090	-	54,707	-	-	-	107,750	162,457	483,547	363,040	486,731
Budget and treasury office	321,090		54,707				107,750	162,457	483,547	363,040	486,731
Community and public safety	16,502	-	-	-	-	-	2,256	2,256	18,758	17,629	18,799
Community and social services	466	-	-	-	-	-	-	-	466	559	671
Cemeteries & Crematoriums	466								466	559	671
Public safety	2,256	-	-	-	-	-	2,256	2,256	4,512	2,436	2,631
Fire	2,256						2,256	2,256	4,512	2,436	2,631
Health	13,780	-	-	-	-	-	-	-	13,780	14,634	15,497
Other	13,780								13,780	14,634	15,497
Trading services	164,477	-	-	-	-	-	3,000	3,000	167,477	193,557	195,944
Water	127,534	-	-	-	-	-	3,000	3,000	130,534	144,629	159,821
Water Distribution	127,534						3,000	3,000	130,534	144,629	159,821
Waste water management	31,011	-	-	-	-	-	-	-	31,011	41,809	27,580
Sewerage	31,011								31,011	41,809	27,580
Waste management	5,932	-	-	-	-	-	-	-	5,932	7,119	8,543
Solid Waste	5,932								5,932	7,119	8,543
Total Revenue - Standard	502,069	-	54,707	-	-	-	113,005	167,712	669,781	574,226	701,474
Expenditure - Standard											
Municipal governance and administration	75,126	-	577	-	-	-	3,828	4,405	79,531	73,439	78,370
Executive and council	16,739	-	77	-	-	-	1,019	1,096	17,835	18,066	19,389
Mayor and Council	10,620		77				917	994	11,614	11,407	12,253
Municipal Manager	6,119						102	102	6,221	6,659	7,136
Budget and treasury office	25,294		500				2,582	3,082	28,376	22,038	23,746
Corporate services	33,093	-	-	-	-	-	227	227	33,320	33,335	35,235
Human Resources	8,123						117	117	8,240	7,214	7,634
Information Technology	5,206						(30)	(30)	5,176	5,011	5,323
Property Services	9,905						5	5	9,910	10,455	10,786
Other Admin	9,859						136	136	9,995	10,655	11,492
Community and public safety	31,993	-	564	-	-	-	(3,057)	(2,493)	29,500	34,786	36,907
Community and social services	9,168	-	21	-	-	-	1,029	1,050	10,218	9,684	10,208
Cemeteries & Crematoriums	2,947						(131)	(131)	2,816	3,144	3,354
Other Social	6,221		21				1,160	1,181	7,402	6,540	6,854
Public safety	9,829	-	543	-	-	-	(2,495)	(1,952)	7,877	10,468	11,202
Fire	6,708						(2,256)	(2,256)	4,452	7,147	7,618

Standard Classification Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousand	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
<i>Other</i>	3,121		543				(240)	304	3,425	3,321	3,584
Health	12,996	-	-	-	-	-	(1,590)	(1,590)	11,406	14,634	15,497
<i>Other</i>	12,996						(1,590)	(1,590)	11,406	14,634	15,497
Economic and environmental services	8,017	-	14,341	-	-	-	1,328	15,669	23,686	9,656	9,934
Planning and development	8,017	-	14,341	-	-	-	1,328	15,669	23,686	9,656	9,934
<i>Economic Development/Planning</i>	8,017		14,341				1,328	15,669	23,686	9,656	9,934
Trading services	238,287	-	2,616	-	-	-	63,585	66,201	304,488	257,582	266,868
Electricity	-	-	-	-	-	-	100	100	100	-	-
<i>Electricity Distribution</i>							100	100	100		
Water	193,033	-	1,468	-	-	-	63,260	64,728	257,761	201,133	223,964
<i>Water Distribution</i>	193,033		1,468				63,260	64,728	257,761	201,133	223,964
Waste water management	29,481	-	465	-	-	-	(164)	301	29,782	40,027	25,536
<i>Sewerage</i>	29,481		465				(164)	301	29,782	40,027	25,536
Waste management	15,773	-	682	-	-	-	390	1,072	16,845	16,422	17,368
<i>Solid Waste</i>	15,773		682				390	1,072	16,845	16,422	17,368
Total Expenditure - Standard	353,423	-	18,098	-	-	-	65,684	83,782	437,205	375,463	392,079
Surplus/ (Deficit) for the year	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,395

The table above reflects the adjusted budget of Council to be R669,8m and the adjusted operating expenditure as being R437,2m, thus resulting in a revised Capital budget of R232,6m. The revenue budget has increased by 33%, operating expenditure by 24% and capital by 56% from the original budget.

Table B3 – Budget Adjustment Financial Performance by Vote

Vote Description	Budget Year 2010/11									Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands	A	A1	B	C	D	E	F	G	H		
Revenue by Vote											
FINANCE AND ADMINISTRATION	321,090	-	54,707	-	-	-	112,261	166,968	488,058	363,040	486,731
COMMUNITY AND SOCIAL SERVICES	466	-	-	-	-	-	-	-	466	559	671
PUBLIC SAFETY	2,256	-	-	-	-	-	(2,256)	(2,256)	0	2,436	2,631
ENVIROMENTAL HEALTH	13,780	-	-	-	-	-	-	-	13,780	14,634	15,497
WASTE MANAGEMENT	5,932	-	-	-	-	-	-	-	5,932	7,119	8,543
WATER	127,534	-	-	-	-	-	3,000	3,000	130,534	144,629	159,821
WASTE WATER MANAGEMENT	31,011	-	-	-	-	-	-	-	31,011	41,809	27,580
Total Revenue by Vote	502,069	-	54,707	-	-	-	113,005	167,712	638,770	574,226	701,474
Expenditure by Vote											
EXECUTIVE AND COUNCIL	26,599	-	77	-	-	-	1,154	1,231	27,830	28,722	30,881
FINANCE AND ADMINISTRATION	48,529	-	500	-	-	-	2,673	3,173	51,702	44,717	47,489
PLANNING AND DEVELOPMENT	8,017	-	14,341	-	-	-	1,328	15,669	23,686	9,656	9,934
COMMUNITY AND SOCIAL SERVICES	9,168	-	21	-	-	-	1,029	1,050	10,218	9,684	10,208
PUBLIC SAFETY	9,829	-	543	-	-	-	(2,495)	(1,952)	7,877	10,468	11,202
ENVIROMENTAL HEALTH	12,996	-	-	-	-	-	(1,590)	(1,590)	11,406	14,634	15,497
WASTE MANAGEMENT	15,773	-	682	-	-	-	390	1,072	16,845	16,422	17,368
ELECTRICITY SERVICES	-	-	-	-	-	-	100	100	100	-	-
WATER	193,034	-	1,468	-	-	-	63,260	64,728	257,762	201,132	223,963
WASTE WATER MANAGEMENT	29,481	-	465	-	-	-	(164)	301	29,782	40,027	25,536
Total Expenditure by Vote	353,426	-	18,098	-	-	-	65,684	83,481	407,426	375,462	392,078
Surplus/ (Deficit) for the year	148,643	-	36,609	-	-	-	47,321	84,231	231,344	198,764	309,396

The table above table depicts the adjustment budget per vote with the approved multi year budgets.

Total Revenue has increased with R113m being R112m from the Fianace and Administration vote due to the increase in the depreciation expected for the year as well as the release of the cash from waste site provision. The water trading services vote has increased by R3m due to the higher collection ratio of 103% as at 31 December 2010. The Pubic service department revenue and expenditure decreased by R2.4m due to the local municiplaity’s opting to pay the supplier Rural Metro directly. Environmental Health deaceased by R1.6m due to virements and the Water Department expenditure increased by R63.2m due to the increase in water tankering expenditure and WSSA contractual costs. The Water department costs amounts to 96% of the adjustments budget.

Table B4 – Budget Adjustment Financial Performance – Revenue & Expenditure

	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source											
Service charges - water revenue	20,974	–	–	–	–	–	3,000	3,000	23,974	23,071	25,379
Service charges - sanitation revenue	3,078	–	–	–	–	–	–	–	3,078	3,447	3,860
Service charges - refuse revenue	5,932	–	–	–	–	–	–	–	5,932	7,119	8,543
Service charges - other	466							–	466	559	671
Interest earned - external investments	23,653						(1,000)	(1,000)	22,653	25,420	27,462
Interest earned - outstanding debtors	211							–	211	227	246
Transfers recognised - operating	299,620		18,099				20,055	38,153	337,773	332,797	342,700
Other revenue	22,382	–	35,706	–	–	–	43,080	78,787	101,169	19,092	19,419
Total Revenue (excluding capital transfers and contributions)	376,316	–	53,805	–	–	–	65,135	118,940	495,256	411,732	428,280
Expenditure By Type											
Employee related costs	107,330	–	–	–	–	–	(9,555)	(9,555)	97,775	115,914	125,188
Remuneration of councillors	7,165							–	7,165	7,738	8,357
Debt impairment	2,777							–	2,777	3,076	3,408
Depreciation & asset impairment	15,318	–	–	–	–	–	17,000	17,000	32,318	15,318	15,318
Finance charges	15,117							–	15,117	15,117	15,117
Bulk purchases	17,189	–	–	–	–	–	5,500	5,500	22,689	18,220	19,313
Contracted services	49,716	–	–	–	–	–	21,116	21,116	70,832	53,080	56,350
Transfers and grants	2,251							–	2,251	2,385	2,528
Other expenditure	136,563	–	18,099	–	–	–	31,623	49,722	186,285	144,615	146,500
Total Expenditure	353,426	–	18,099	–	–	–	65,684	83,783	437,209	375,463	392,079
Surplus/(Deficit)	22,890	–	35,706	–	–	–	(549)	35,157	58,047	36,269	36,201
Transfers recognised - capital	125,756		902				47,871	48,773	174,529	162,493	273,194
Surplus/(Deficit) before taxation	148,646	–	36,609	–	–	–	47,321	83,930	232,576	198,762	309,395
Surplus/(Deficit) after taxation	148,646	–	36,609	–	–	–	47,321	83,930	232,576	198,762	309,395
Attributable to minorities								–	–		
Surplus/(Deficit) attributable to municipality	148,646	–	36,609	–	–	–	47,321	83,930	232,576	198,762	309,395
Share of surplus/ (deficit) of associate								–	–		
Surplus/ (Deficit) for the year	148,646	–	36,609	–	–	–	47,321	83,930	232,576	198,762	309,395

The above table depicts the adjustment budget by source. Total revenue adjustment before capital amounts to R65,1m comprising interest revenue decreasing by R1m, water increasing by R3m and transfers recognised operating increasing by R20,1 and transfers recognised other by R43,1.

The expenditure per type increased by R65,7m. The expenditure per type increase as a percentage of the adjustment budget is as follows: Depreciation contributes to 25%, Contract services 32%, bulk purchases 8%, other expenditure 48% of the total adjustment. Salaries and wages decreased by 15% of the total adjustment budget due to savings as well as the categorisation of expenditure in the annual budget documents. The net deficit of R549, 000 is

due to the virement from the Capital projects to the operational projects due to urgent priorities that require funding.

Table B5 – Budget Adjustment Capital By Vote

Vote Description <i>[Insert departmental structure etc]</i>	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
Capital expenditure - Municipal Vote												
Multi-year expenditure appropriation												
Vote 4 - COMMUNITY AND SOCIAL SERVICES	2	-	-	-	-	-	-	-	-	-	1,000	-
Cemetery											1,000	
Vote 9 - WATER		133,472	-	21,310	-	-	-	-	21,310	154,782	177,403	291,294
Municipal Infrastructure & Implementation		122,872		19,734					19,734	142,606	160,993	271,194
Water Services Authority Division		6,000		1,576					1,576	7,576	12,100	12,100
Water Services Provider Division		4,600							-	4,600	4,310	8,000
Vote 10 - WASTE WATER MANAGEMENT		4,000	-	-	-	-	-	-	-	4,000	8,000	-
Waste Water Management		4,000							-	4,000	8,000	
Capital multi-year expenditure sub-total		137,472	-	21,310	-	-	-	-	21,310	158,782	186,403	291,294
Capital expenditure - Municipal Vote												
Single-year expenditure appropriation												
Vote 1 - EXECUTIVE AND COUNCIL	2	190	-	-	-	-	-	20	20	210	20	-
Administrative Services		160								160		
Municipal Manager's Department		30						20	20	50		
Vote 2 - FINANCE AND ADMINISTRATION		150	-	10,993	-	-	-	(3,825)	7,169	7,319	260	100
Management Services - HR		100								100	60	
Executive Division - Financial Services				536				(90)	446	446	60	
Expenditure Department											30	40
uThungulu House				10,209				(4,000)	6,209	6,209		
Finance Interns		50								50	40	40
Management Services - IT				72				266	338	338	50	
Supply Chain Management Unit				176					176	176	20	20
Vote 3 - PLANNING AND DEVELOPMENT		50	-	-	-	-	-	30	30	80	-	-
Planning Department								30	30	30		
Planning Shared Services		50								50		
Vote 4 - COMMUNITY AND SOCIAL SERVICES		-	-	2,434	-	-	-	-	2,434	2,434	-	-
Community Services												
Cemetery				2,434					2,434	2,434		
Vote 5 - PUBLIC SAFETY		-	-	19	-	-	-	-	19	19	-	-
Fire Fighting				19					19	19		
Vote 6 - ENVIRONMENTAL HEALTH		784	-	-	-	-	-	-	-	784	-	-
Municipal Health		784								784		
Vote 7 - WASTE MANAGEMENT		-	-	1,853	-	-	-	(500)	1,353	1,353	-	-
Solid Waste				1,853				(500)	1,353	1,353		
Vote 9 - WATER		10,000	-	-	-	-	-	47,596	47,596	57,596	12,080	18,000

Vote Description <i>[Insert departmental structure etc]</i>	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
Executive Division - Technical Services												
Municipal Infrastructure Operations & Maintenance											40	
Municipal Infrastructure & Implementation		10,000						47,510	47,510	57,510	12,000	18,000
Water Services Authority Division								388	388	388		
Water Services Provider Division								(302)	(302)	(302)		
Consumer Billing											40	
Vote 10 - WASTE WATER MANAGEMENT								4,000	4,000	4,000		
Waste Water Management Capital single-year expenditure sub-total								4,000	4,000	4,000		
		11,174		15,299				47,321	62,620	73,794	12,360	18,100
Total Capital Expenditure		148,646		36,609				47,321	83,930	232,576	198,763	309,394

The Capital adjustment budget amounts to a 31% increase from the original budget. The total adjusted capital budget is R233m. The adjustment budget is made up of 100% from the Water Services Municipal Infrastructure and implementation. To note that R4m is being viremented from Uthungulu House to much needed upgrade of a sanitation scheme in Umlalazi being the Ocean View Treatment Works.

Table B6 – Adjustments Budget Financial Position

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoi d.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
ASSETS												
Current assets												
Cash		18,783							–	18,783	19,910	21,105
Call investment deposits	1	184,203	–	–	–	–	–	(109,200)	(109,200)	75,003	188,733	190,804
Consumer debtors	1	11,147	–	–	–	–	–	–	–	11,147	12,262	13,488
Other debtors		25,397							–	25,397	26,921	28,536
Current portion of long-term receivables		162							–	162	171	181
Inventory		5,902							–	5,902	6,256	6,631
Total current assets		245,594	–	–	–	–	–	(109,200)	(109,200)	136,394	254,253	260,745
Non current assets												
Long-term receivables		941							–	941	998	1,058
Investments		20,049							–	20,049	21,252	22,527
Property, plant and equipment	1	640,998	–	–	–	–	–	28,844	28,844	669,842	732,166	918,572
Total non current assets		661,988	–	–	–	–	–	28,844	28,844	690,832	754,416	942,157
TOTAL ASSETS		907,582	–	–	–	–	–	(80,356)	(80,356)	827,226	1,008,669	1,202,902
LIABILITIES												
Current liabilities												
Borrowing		7,501	–	–	–	–	–	–	–	7,501	7,951	8,429
Consumer deposits		6,432							–	6,432	7,076	7,783
Trade and other payables		120,733	–	–	–	–	–	3,805	3,805	124,538	130,901	131,317
Provisions		1,978							–	1,978	2,097	2,222
Total current liabilities		136,644	–	–	–	–	–	3,805	3,805	140,449	148,025	149,751
Non current liabilities												
Borrowing	1	114,129	–	–	–	–	–	–	–	114,129	111,581	108,686
Provisions	1	90,413	–	–	–	–	–	–	–	90,413	95,838	101,588
Total non current liabilities		204,542	–	–	–	–	–	–	–	204,542	207,419	210,274
TOTAL LIABILITIES		341,186	–	–	–	–	–	3,805	3,805	344,991	355,444	360,025
NET ASSETS	2	566,396	–	–	–	–	–	(84,161)	(84,161)	482,235	653,225	842,877
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		259,963	–	–	–	–	–	–	–	259,963	274,963	289,963
Reserves		306,433	–	–	–	–	–	(84,161)	(84,161)	222,272	378,262	552,914
TOTAL COMMUNITY WEALTH/EQUITY		566,396	–	–	–	–	–	(84,161)	(84,161)	482,235	653,225	842,877

Table B7 – Adjustments Budget Cash Flows

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capita l	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		52,832	35,706				46,080	744	46,824	82,530	60,159	63,769
Government - operating	1	299,620	18,099				20,055	2,751	22,806	40,905	332,797	342,700
Government - capital	1	125,756						1,054	1,054	126,810	162,493	273,194
Interest		23,864					(1,000)	(1,000)	(2,000)	21,864	25,647	27,708
Dividends									-	-		
Payments												
Suppliers and employees		(320,214)		(18,099)				(67,794)	(85,893)	(406,107)	(391,181)	(409,206)
Finance charges		(15,117)							-	(15,117)	12,319	12,029
Transfers and Grants	1								-	-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		166,741	53,805	(18,099)	-	-	65,135	(64,245)	(17,209)	(149,115)	202,234	310,194
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE									-	-		
Decrease (increase) in non-current debtors									-	-		
Decrease (increase) other non-current receivables	-	(49)							-	(49)	(53)	(56)
Decrease (increase) in non-current investments		(1,135)							-	(1,135)	(1,203)	(1,275)
Payments												
Capital assets		(125,756)		(902)				(47,871)	(48,773)	(174,529)	(198,763)	(309,394)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(126,940)	-	(902)	-	-	-	(47,871)	(48,773)	(175,713)	(200,019)	(310,725)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans									-	-		
Borrowing long term/refinancing									-	-		
Increase (decrease) in consumer deposits		584							-	584	644	710
Payments												
Repayment of borrowing		2,503							-	2,503	2,798	3,088
NET CASH FROM/(USED) FINANCING ACTIVITIES		3,087	-	-	-	-	-	-	-	3,087	3,442	3,798
NET INCREASE/ (DECREASE) IN CASH HELD		42,888	53,805	(19,001)	-	-	65,135	(112,116)	(65,982)	(321,741)	5,657	3,267
Cash/cash equivalents at the year begin:	2	242,930							-	242,930	72,445	78,102
Cash/cash equivalents at the year end:	2	285,818	53,805	(19,001)	-	-	65,135	(112,116)	(78,811)	78,102	81,369	

DC28 uThungulu - Table B8 Consolidated Cash backed reserves/accumulated surplus reconciliation - 21/01/2010

Description	Ref	Budget Year 2010/11								Budget Year +1	Budget Year +2	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
Cash and investments available												
Cash/cash equivalents at the year end	1	285,818	53,805	(19,001)	-	-	65,135	(112,116)	(65,982)	(12,177)	78,102	81,369
Other current investments > 90 days		(82,832)	(53,805)	19,001	-	-	(65,135)	2,915	(43,219)	(97,024)	130,541	130,540
Non current assets - Investments	1	20,049	-	-	-	-	-	-	-	20,049	21,252	22,527
Cash and investments available:		223,035	-	-	-	-	-	(109,200)	(109,200)	(89,151)	229,895	234,436
Applications of cash and investments												
Unspent conditional transfers		86,823	-	-	-	-	-	3,805	3,805	90,628	94,956	93,216
Unspent borrowing		-	-	-	-	-	-	-	-	-	-	-
Statutory requirements		-	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	2	84,951	-	-	-	-	-	93,069	93,069	93,069	89,694	87,172
Other provisions		52,293	-	-	-	-	-	-	-	52,293	44,134	52,590
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		-	-	-	-	-	-	-	-	-	-	-
Total Applications of cash and investments:		224,067	-	-	-	-	-	96,874	235,990	228,784	232,978	
Surplus(shortfall)		(1,032)	-	-	-	-	-	(206,074)	(325,141)	1,111	1,458	

DC28 uThungulu - Table B9 Consolidated Asset Management - 21/01/2010

Description	Ref	Budget Year 2010/11								Budget Year +1	Budget Year +2	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H		
R thousands												
CAPITAL EXPENDITURE												
Total New Assets to be adjusted	1	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394
Infrastructure - Water		143,472	-	21,310	-	-	-	47,208	68,518	211,990	189,403	309,294
Infrastructure - Sanitation		4,000	-	-	-	-	-	4,000	4,000	8,000	8,000	-
Infrastructure - Other		-	-	1,853	-	-	-	(500)	1,353	1,353	-	-
Infrastructure		147,472	-	23,163	-	-	-	50,708	73,871	221,343	197,403	309,294
Other assets	6	1,174	-	13,446	-	-	-	(3,387)	10,059	11,233	360	100
Total Capital Expenditure to be adjusted	4	143,472	-	21,310	-	-	-	47,208	68,518	211,990	189,403	309,294
Infrastructure - Water		143,472	-	21,310	-	-	-	47,208	68,518	211,990	189,403	309,294
Infrastructure - Sanitation		4,000	-	-	-	-	-	4,000	4,000	8,000	8,000	-
Infrastructure - Other		-	-	1,853	-	-	-	(500)	1,353	1,353	-	-
Infrastructure		147,472	-	23,163	-	-	-	50,708	73,871	221,343	197,403	309,294
Community		-	-	-	-	-	-	-	-	-	1,000	-
Other assets		1,174	-	13,446	-	-	-	(3,387)	10,059	11,233	360	100
TOTAL CAPITAL EXPENDITURE to be adjusted	2	148,646	-	36,609	-	-	-	47,321	83,930	232,576	198,763	309,394

Description	Ref	Budget Year 2010/11									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H		
R thousands												
ASSET REGISTER SUMMARY - PPE (WDV)	5											
Infrastructure - Electricity		1,183							-	1,183	1,351	1,695
Infrastructure - Water		543,212							-	543,212	620,472	778,442
Infrastructure - Sanitation		33,045							-	33,045	37,745	47,355
Infrastructure - Other		63,558							-	63,558	72,597	91,080
Infrastructure		640,998	-	-	-	-	-	-	-	640,998	732,165	918,572
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	640,998	-	-	-	-	-	-	-	640,998	732,165	918,572
EXPENDITURE OTHER ITEMS												
<u>Depreciation & asset impairment</u>		15,318	-	-	-	-	-	17,000	17,000	32,318	15,318	15,318
<u>Repairs and Maintenance by asset class</u>	3	30,748	-	-	-	-	-	-	-	30,748	-	-
Infrastructure - Water		27,195	-	-	-	-	-	-	-	27,195	-	-
Infrastructure - Sanitation		60	-	-	-	-	-	-	-	60	-	-
Infrastructure - Other		125	-	-	-	-	-	-	-	125	-	-
Infrastructure		27,380	-	-	-	-	-	-	-	27,380	-	-
Community		125	-	-	-	-	-	-	-	125	-	-
Other assets	6	3,243	-	-	-	-	-	-	-	3,243	-	-
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		46,066	-	-	-	-	-	17,000	17,000	63,066	15,318	15,318
<i>% of capital exp on renewal of assets</i>		0.0%	0.0%							0.0%	0.0%	0.0%
<i>Renewal of existing assets as % of deprecn</i>		0.0%	0.0%							0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>		4.8%	0.0%							4.8%	0.0%	0.0%
<i>Renewal and R&M as a % of PPE</i>		4.8%	0.0%							4.8%	0.0%	0.0%

PART 2 – SUPPORTING DOCUMENTATION

5. ADJUSTMENT BUDGET PROCESS OVERVIEW

5.1 ADJUSTMENT TO BUDGET ASSUMPTIONS

The key revenue adjustments from the analysis based on the mid-year review of the 2010/11 budget are as follows:

- New Grants from Provincial Government
- NT roll over grants
- Investment income
- Trading services revenue
- Surplus from the 09/10 financial year
- Utilisation of cash backed provisions in line with cash flow demands

The key expenditure adjustments from the analysis based on the mid-year review of the 2010/11 budget are as follows:

- Drought Relief
- Electricity for Water Schemes

- Repairs & Maintenance of Water Schemes
- Raw Water Abstraction Fee - DWAF
- Top Up of Depreciation on Grant Funded Assets

5.2 ADJUSTMENT TO BUDGET FUNDING

The following summarizes the adjustments increase to the revenue budget totalling R 113,005,350.

Sub - Vote	Income Type	Details	Motivation	Amount
Finance Executive	Grant	CoGTA	Intergovernmental Relations Framework Grant	(100,000)
Finance Executive	Grant	CoGTA	Establishment & Implementation of IDP Charter	(317,000)
Finance Executive	Grant	CoGTA	Fire Fighting Shared Service	(1,750,000)
Finance Executive	Grant	DWA	Top Up on Regional Bulk Infrastructure Grant	(693,000)
Finance Executive	Grant	National Treasury	09/10 NT Grants Rollover	(467,597)
Finance Executive	Grant	MIG	MIG Timing Differences (TD)	(46,652,413)
Finance Executive	Grant	CoGTA	Gaming Levy Grant	(584,000)
Finance Executive	Grant	CoGTA	Massification Programme Grant	(361,000)
Finance Executive	Other Revenue	Locals Contribution to Shared Services	Locals now pay their portion directly to Service Provider	2,255,530
Finance Executive	Govt Grants Reserve	Provision for Depreciation ex Grants	Provision for Depreciation on Grant Funded Assets	(17,000,000)
Finance Executive	Interest	Interest - External Investments	Constant decline in Repo rate	1,000,000
Finance Executive	Surplus	Solid Waste Site Rehabilitation Prov	Unutilised Cash for the Solid Waste Cell Rehabilitation	(36,349,293)
Finance Executive	Surplus	Surplus Brought Forward	As per Audited 0910 AFS	(6,994,837)
Finance Executive	Surplus	Surplus Brought Forward	Committed Accruals	(1,991,740)
Water	Service Charges	Water Revenue	Increased consumption	(3,000,000)
				(113,005,350)
			Total	(113,005,350)

The adjustment budget has been funded from National Treasury Roll over grants, New grants, accumulated surplus, reserves and trading services revenue.

A surplus from the 2009/2010 audited AFS has been calculated based on the cash based budget principles and an amount of R 9m has been brought forward in the 2010/2011 budget.

Discussions were held with the Technical Department who confirmed that R20m of the rehabilitation provision will not be utilised in the 10/11 financial year. Hence, a cash based amount of R36.3m has been released from the solid waste site rehabilitation provision which will be cash flowed into the outer year budgets. In order for the budget to accommodate the requirements for service delivery the potential risk of not being able to fund this rehabilitation costs in the future was considered.

To note that the Technical Department is required to compile a rehabilitation plan that will show the Timelines and the cash flow needs so as to ensure adequate funds are made available when they are needed.

The billing for the 2010/2011 year up to December 2010 reflected R5m more than budgeted therefore based on the collection ratio 103% an amount of R3m was added to the trading services revenue budget. On the same note Investment income has decreased by R0.5m therefore an annual rediction would be that interes income received would be R1m lower. This resulted in Interest income being decreased by R1m.

The depreciation budget also required to be increased from government grant reserves in order for the increase in depreciaton to be accounted for with the full implementation of GRAP 17.

5.3 ADJUSTMENT TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

The MIG grant was brought into the adjustment budget due to timing diffences and the funds were allocated to the current projects in line with their cashflow utilisation.

5.4 ADJUSTMENT TO EXPENDITURE ON ALLOCATIONS OR GRANTS MADE BY MUNICIPALITIES

The shared services contract was budgeted for as 60% to be paid by Uthungulu District and 40% by the local municipalities. The District could not afford this subsidisation and approached CogTa, who funded R1,7m of this expenditure. Therefore, the expected revenue from the locals had to be adjusted as they would pay Rural Metro directly and the corresponding expenditure was also adjusted downward.

5.5 ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND AND EMPLOYEE BENEFITS

The savings from the staff rental for the period 1 July 2010 to 31 December 2010 was utilised to fund additional operational expenditure. This amounted to R1,443,516. The

Government Gazette for Councillors allowance increases was only received in December 2011 for retrospective application. The increases will only be paid once the MEC's approval is sought, the permission was granted late in December and payment will be done in January 2011.

5.6 ADJUSTMENT TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP was approved by Council for the 2010/2011 year, the targets and performance indicators remain unchanged with the adjustment budget.

5.7 ADJUSTMENTS TO CAPITAL EXPENDITURE

The following summarizes the adjustments (increase) in the capital project budget totalling (R47,121,146).

Capital Budget (Per Vote) Budget					
	Approved Budget	Pre Adjustment Virements	Current Virements	January 2011 Adjustment	Adjusted Budget
	R		R	R	R
Deputy Municipal Manager	30,000		-	-	30,000
Admin Services	160,000		-	-	160,000
Municipal Manager	-	10,000	-	10,000	20,000
Executive & Council	190,000	10,000	-	10,000	210,000
Property Services	10,209,094		-4,000,000	-	6,209,094
Management Ser.HR	100,000		-	-	100,000
Management Ser.IT	72,272	190,000	75,500	-	337,772
Executive - Financial	535,835		-90,000	-	445,835
Finance Interns	50,000		-	-	50,000
Supplier Chain Man.	175,947		-	-	175,947
Finance & Admin	11,143,148	190,000	-4,014,500	-	7,318,648
Planning & Development			30,000	-	30,000
Planning Shared Services	50,000		-	-	50,000
Planning & Development	50,000	-	30,000	-	80,000
Municipal Health	784,000		-	-	784,000
Environmental Protection	784,000	-	-	-	784,000
Cemetery	2,433,611		-	-	2,433,611
Community & Social	2,433,611	-	-	-	2,433,611
Fire Fighting	18,876		-	-	18,876
Public Safety	18,876	-	-	-	18,876
Solid Waste	1,852,870		-500,000	-	1,352,870
Waste Management	1,852,870	-	-500,000	-	1,352,870

Capital Budget (Per Vote) Budget					
	Approved Budget	Pre Adjustment Virements	Current Virements	January 2011 Adjustment	Adjusted Budget
	R		R	R	R
Waste Water Management	4,000,000		4,000,000	-	8,000,000
Waste Water Management	4,000,000	-	4,000,000	-	8,000,000
Municipal Support	152,606,129	-	2,234,155	45,275,491	200,115,775
Water Services Auth.	7,576,382		-	388,000	7,964,382
Water Services Provider	4,600,000		-500,000	198,000	4,298,000
Water Distribution	164,782,511	-	1,734,155	45,861,491	212,351,157
TOTAL	185,255,016	200,000	1,276,655	45,844,491	232,576,162

5.8 MUNICIPAL MANAGERS QUALITY CERTIFICATION

I **Bonginkosi, Bhekizenzo Biyela**, municipal manager of **uThungulu District Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act to a certain extent with the budget document as set out in schedule B of the regulations including the main tables (B1 - B10), and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print

Name.....

Municipal Manager

of.....

Signature.....

Date.....

CONTACT DETAILS

uThungulu District Municipality

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RICHARDS BAY 3900**

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Richards Bay CBD**

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