



CAPRICORN **DISTRICT MUNICIPALITY**

INTERNAL MEMO: FINANCE DEPARTMENT

Date: 26/01/2011

Memo Ref: 5/1/3

TO: COUNCIL

FROM: MAYORAL COMMITTEE

SUBJECT : 2010/11 ADJUSTMENT BUDGET

Purpose

The purpose of the report is to table the municipal budget adjustment according to MFMA and MBRR

Background

The council has approved the 2010/11 adjustment budget in line with available legislation (MFMA).

We have been monitoring the budget throughout the year and a final annual budget review was preformed.

The review has highlighted areas which require an adjustment. The analysis was based on the midyear financial results.

Discussion

The review highlighted the following:

1. Total Budget

- The total budget has increased by 17.59% from **R 571 811 765** to **R 674 135 894** the original budget.

1.1. Operating Revenue

- We have realised a decreased in the water services operating grant of R8m which was reduced by National Treasury. A total of **R 8m** was budgeted to from own revenue funds received from Sars for prior year's refunds

1.2. Operating Budget

- Operating budget has increased from **R 325 572 450** to **R 453 248 708**.The adjustment were made:

1.2.1. General Expenditure

- Depreciation cost of **R 72 593 859.62**, the cost of depreciation has increased because of water assets, and majority of infrastructure assets that were completed during the last quarter of 2010 and the beginning of 2011 financial year. The depreciation costs created a deficit which is funded from accumulated surplus.
- Commission paid expense of **R 35 000 000.00** with regard to water sales to be retained by local municipality in accordance to the WSA/WSP agreement
- Fleet costs also increased because rental of motor vehicle that was not planned in the original budget. The municipality had planned to buy the fleet but the budget of **R7m** in capex was not enough. The full set of fleet will be acquired in the next financial year

1.2.2. Salaries and Wages

- Budget for positions was increased for vacant positions in community serviced department under fire service, executive management under special focus unit and corporate services under admin and legal services
- Water services and environmental health budget on overtime, shift allowances, performance bonus and long service awards were factored in the budget.

1.2.3. Operations and Maintenance: Water

- The increase is for transfers to Lepelle-Nkumpi for the expenses they incurred in the previous year.
- An increase to free basic water and operation and maintenance was included.

2. Capital Budget

- Capital Budget has decreased by 10.30% as a result of budget not spent and shifting of other projects to next financial years.

- Community services department has reduced its budget by **R 17m**. The major project that was cut is the establishment of Molemole landfill sites which was budgeted at R 11m. The project has not yet started.
- Lepelle-Nkumpi landfill site was reduced as the project will commence in the third quarter.
- Corporate services budget was also reduced as a result of not utilising the budget accordingly.
- Technical services reduction in capex budget was as a result of savings realised within the first six months of the year.

Legislative implication

The adjustment budget is requested in line with MFMA and Municipal budget and reporting regulation.

RECOMMENDATION

➤ The adjustment budget be considered and be recommended to Council

1.1. That 2010/11 budget be adjusted as follows as reflected in A:

Operating Budget	R 453 248 708
Capital Budget	R 220 887 185
Total Budget	R 674 135 894

Recommended By

MAPOULO TL
EXECUTIVE MAYOR