

***SUNDAYS RIVER VALLEY
MUNICIPALITY (EC 106)***



***ADJUSTMENT BUDGET 2011/2012
AND MTREF***

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CHAPTER 1

MAYOR'S REPORT

Madam Speaker, fellow Councillors and officials. It is my privilege to table to you the Adjustment budget for 2011/12 financial year.

In terms of the Municipal Finance Management Act (MFMA), No.56 of 2003 section S28 a municipality may revise an approved annual budget through an adjustments budget. It should be noted that an adjustment budget:

- (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- (c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
- (e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- (f) may correct any errors in the annual budget; and
- (g) may provide for any other expenditure within a prescribed framework.

Furthermore the Mayor may table an adjustment budget as a result of a S72 report if necessary. The December 2011/12 midyear review was tabled to Council on 31 January 2012 Council resolved that an adjustment budget was necessary.

The main reasons for the adjustment budget could be summarized as follows:

- 1) Increase in revenue as a result of increase in service charges and license fees to the value of R6 million

DESCRIPTION	APPROVED BUDGET – R'000	ADJUSTMENT BUDGET – R'000
Service charges	29 764	33 434
Licences and Permits	2 614	4 614
Grants operating	36 283	36 658
Total income	92 503	98 548

- 2) Increase in operating expenditure of R11 358 million of which the biggest contributor is the depreciation charge which had to be increased after implementation of GRAP 17

Description	Original budget – R'000	Adjustment budget – R'000
Personnel Cost	29 304	R27 975
General Expenses	19 601	21 537
Contracted Services	352	378
Repairs and Maintenance	6 443	4 943
Provision	12 432	14 432
Depreciation	4 700	15 000
Total expenditure	91 091	102 449

- 3) The main change in the capital budget is a R16 million indirect grant in terms of DORA which was initially not accounted for in the approved budget.

In light of these adjustments needed, I therefore recommend that the adjustment budget be approved by Council.

CHAPTER 2

COUNCIL RESOLUTION

On 28 February 2012 the Council of Sundays River Valley Local Municipality met in the Council Chambers at 30 Middle Street, Kirkwood, to consider the adjustment budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

COUNCIL RESOLVED

1. That in terms of section 28 of the Municipal Finance Management Act, 56 of 2003, the Adjustment budget of the Sundays River Valley municipality for the financial year 2011/12; and indicative allocations for the two projected outer years 2012/13 and 2013/14; and the adjusted multi-year and single year capital appropriations, attached to the report as Annexure A, be approved as set-out in the following tables:
 - 1.1. Adjustment Budget Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Adjustments Budget Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Adjustments Budget Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Adjustments Budget capital expense by municipal vote and associated funding by source.

2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
 - 2.1. Adjustments Budget Financial Position;
 - 2.2. Adjustments Budget Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.

CHAPTER 3

EXECUTIVE SUMMARY

1. INTRODUCTION AND BACKGROUND

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 un-avoidable 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.

Subsequent 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 the Act.

The Mayor may table an adjustment budget as a result of a S72 report if necessary. The December 2011/12 midyear review was tabled to Council on 31 January 2012 and the following major adjustments to the following expenditure/income types were necessary:

2. ADJUSTMENT BUDGET 2011/2012 – OPERATING REVENUE

- Service charge revenue in the first 6 months indicates that revenue exceeds the budget by R2.6 million. It is expected that the upward trend will continue. Electricity revenue is already at 64% of the total budget, whilst water is at 54% and waste management at 53% of the total budget. It is anticipated that service charges will increase with R3.6 million, taking into account seasonal fluctuation. Careful consideration should however be given to the provision for doubtful debt as the collection rate is not at the required level yet.
- The license fees vote currently indicates an over recovery of 105%. The new license testing grounds are doing extremely well. It is anticipated that revenue for the year will amount to R4 million.
- Grants received operating – The municipality has entered into a service level agreement with Cacadu District Municipality. It has been approved that Cacadu District Municipality will provide a grant to the value of R375 000 to assist with the provision of this function. The funds are to be utilized for the appointment of additional fire personnel.
- Grants received capital – The approved budget did not include the indirect grant of R16 million to be received through the RBIG programme. In terms of GRAP 17 the municipality has to recognize the asset in the fixed asset register and will thus have to budget for this indirect grant. The funds will be transferred to Amatola Water board (implementing agent) to continue with the Paterson Bulk Water project.

3. ADJUSTMENT BUDGET 2011/2012 – OPERATING EXPENDITURE

- Employee cost indicates a decrease of R1.3 million after adjusting for new positions of Waste Management officer and Water Processors. This is due to budgeted positions not being filled as original anticipated. The following positions are still vacant: Municipal Manager, Director Technical Services, Strategic Officer and Housing Officer. Provision was made for Municipal Manager and Director Technical Services to be appointed before year end.
- Due to the implementation of GRAP 17 as at 30 June 2011 and the final depreciation figures only being received during Aug 2011, depreciation will have to increase with R10.3 million ensure a reliable budget is tabled. This has a huge impact on the budget and is the reason why the municipality will have to budget for a deficit.
- The collection rate of the municipality is still not at the desired rate. To ensure a reliable and cash funded budget it is proposed that the provision for bad debt increase with another R2 million to R14 million

4. ADJUSTED OPERATING REVENUE 2011/2012 – SUMMARY OF MAIN CATEGORIES (Excl Capital Transfers)

DESCRIPTION	APPROVED BUDGET – R'000	ADJUSTMENT BUDGET – R'000
Service charges	29 764	33 434
Licences and Permits	2 614	4 614
Grants operating	36 283	36 658
Total income	92 503	98 548

5. OPERATING BUDGET – EXPENDITURE

The huge amount of long outstanding creditors has placed the current year's budget under pressure as monies budgeted for much needed service delivery was used to pay some of the creditors. This has resulted in that the wider community being deprived of funds that should be used for road maintenance, electricity reticulation, refuse collection repairs, and to provide staff with the resources to perform their duties.

There must be a concerted effort to increase the O&M allocation, as failure to service our assets results in dissatisfied communities, and huge costs for major repairs and reconstruction.

6. ADJUSTED OPERATING EXPENDITURE 2011/2012 – SUMMARY OF MAIN CATEGORIES

Description	Original budget – R'000	Adjustment budget – R'000
Personnel Cost	29 304	R27 975
General Expenses	19 601	21 537
Contracted Services	352	378
Repairs and Maintenance	6 443	4 943
Provision	12 432	14 432
Depreciation	4 700	15 000
Total expenditure	91 091	102 449

7. ADJUSTED CAPITAL BUDGET 2011/2012

The Municipal Adjusted Capital Budget is R39 492 350 with funding as follows:

- National Government Grants R34 537 300
- Internally funded R625 050
- Loan funded R4 330 000
- Total Capital R39 492 350

There is not enough funding internally to realize the approved capital budget and this had to be adjusted for. The main change in the capital budget is a R16 million indirect grant in terms of DORA which was initially not accounted for in the approved budget.


The following table reflects the capital expenditure per class :

Parent municipality:								
<i>List all capital projects grouped by Municipal Vote</i>								
				TOTAL PROJECT COST	APPROVED BUDGET	ADJUSTMENT BUDGET		
Waste Water Management	Waterborne Sewerage (Phase 2)			17 536 620		142 366	MOSES MABIDA	NEW
Waste Water Management	Waterborne Sewerage (Phase 2)			12 869 531		286 076	EMSENGENI	NEW
Water	Upgrading of water supply			3 278 000		1 219 525	ENON & BEERSHEBA	RENEW
Waste Water Management	Upgrading of waste water treatment works (Phase 1)			1 917 446		0	ENON & BEERSHEBA	RENEW
Waste Water Management	Upgrading of waste water treatment works (Phase 2)			5 424 645	4 424 645	6 433 288	ENON & BEERSHEBA	RENEW
Waste Water Management	Sewerage pump station			725 000	725 000	725 000	BERSHEBA	NEW
	Various (office equipment & furniture, etc)				918 550	633 550	ALL	NEW
Water	Upgrading of bulk water supply			8 949 000	7 045 055	7 808 767	ADDO	RENEW
Water	Bulk Water Pipeline			36 000 000		16 000 000	PATERSON	NEW
waste water management	Upgrading of Waste Water treatment works (phase1)			7 011 000	944 100	944 100	ADDO	RENEW
Sports & Recreation	Rehabilitation and upgrade of 7 sport fields (phase 1)			14 729 399	1 000 000	0	ALL	RENEW
Water	Bulk water supply			21 633 000			ADDO	NEW
Roads	Upgrade of gravel roads			19 700 000	4 390 000	969 679	ALL	RENEW
waste water management	Sewerage Pump station			500 000	500 000	500 000	ALL	RENEW
	Specialized vehicles			1 230 000	1 230 000	1 230 000	ALL	NEW
	other motor vehicles			1 600 000	0	1 600 000		
Executive & Council	Office buildings			650 000	650 000	0	KIRKWOOD	NEW
Water	Water pumps			500 000	500 000	500 000	ALL	RENEW
Water	Prepaid water meters			500 000	500 000	500 000	ALL	NEW
Total Capital expenditure	1			132 949 597	22 827 350	39 492 350		

8. BUDGET CONCLUSION

As indicated above it is recommended that SRVM approves an adjustment budget to ensure the budget remains reliable and achievable.

Collection rate is a concern and every effort to increase the collection rate is implemented. The implementation of the new financial system should be concluded before 31 March 2011, which will also assist in regular and accurate billing and collection of outstanding debt.



**S. SOMNGESI
ACTING MUNICIPAL MANAGER**

CHAPTER 4

ADJUSTMENT BUDGET TABLES

Operating budget (Schedules B2, B3, B4)

EC106 Sundays River Valley - Table B2 Adjustments Budget Financial Performance (standard classification) -

Standard Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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	1, 4	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Revenue - Standard												
Governance and administration		41 698	-	-	-	-	-	-	-	41 698	44 779	47 255
Executive and council		1 126	-	-	-	-	-	-	-	1 126	1 190	1 259
Budget and treasury office		40 546	-	-	-	-	-	-	-	40 546	43 562	45 968
Corporate services		25	-	-	-	-	-	-	-	25	26	28
Community and public safety		1 275	-	-	-	-	-	375	375	1 650	1 338	1 408
Community and social services		100	-	-	-	-	-	-	-	100	104	110
Sport and recreation		7	-	-	-	-	-	-	-	7	7	8
Public safety		1 000	-	-	-	-	-	375	375	1 375	1 050	1 105
Housing		168	-	-	-	-	-	-	-	168	177	186
Health		-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		5 636	-	-	-	-	-	2 000	2 000	7 636	8 181	8 602
Planning and development		995	-	-	-	-	-	-	-	995	1 208	1 275
Road transport		3 727	-	-	-	-	-	2 000	2 000	5 727	6 013	6 318
Environmental protection		914	-	-	-	-	-	-	-	914	960	1 009
Trading services		62 423	-	-	-	-	-	19 670	19 670	82 093	79 314	85 933
Electricity		14 868	-	-	-	-	-	2 741	2 741	17 609	17 402	18 307
Water		33 821	-	-	-	-	-	16 795	16 795	50 616	47 164	52 027
Waste water management		4 485	-	-	-	-	-	134	134	4 619	4 806	5 082
Waste management		9 250	-	-	-	-	-	-	-	9 250	9 941	10 518
Other		-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	111 032	-	-	-	-	-	22 045	22 045	133 077	133 611	143 198

Expenditure - Standard	-											
Governance and administration	42 495	-	-	-	-	-	11 848	11 848	54 343	54 066	56 234	
Executive and council	8 394	-	-	-	-	-	(212)	(212)	8 182	8 981	9 499	
Budget and treasury office	29 152	-	-	-	-	-	11 736	11 736	40 888	39 859	41 211	
Corporate services	4 949	-	-	-	-	-	324	324	5 273	5 227	5 523	
Community and public safety	10 731	-	-	-	-	-	123	123	10 854	11 428	12 148	
Community and social services	2 607	-	-	-	-	-	(22)	(22)	2 585	2 757	2 917	
Sport and recreation	1 128	-	-	-	-	-	(6)	(6)	1 122	1 192	1 246	
Public safety	6 511	-	-	-	-	-	152	152	6 663	6 967	7 443	
Housing	485	-	-	-	-	-	(301)	(301)	184	513	542	
Health	-	-	-	-	-	-	-	-	-	-	-	
Economic and environmental services	9 887	-	-	-	-	-	(454)	(454)	9 433	10 443	11 036	
Planning and development	4 763	-	-	-	-	-	646	646	5 409	6 117	6 469	
Road transport	4 187	-	-	-	-	-	(1 100)	(1 100)	3 087	3 335	3 520	
Environmental protection	937	-	-	-	-	-	-	-	937	990	1 047	
Trading services	27 978	-	-	-	-	-	142	142	28 120	31 803	36 469	
Electricity	12 239	-	-	-	-	-	(200)	(200)	12 039	15 026	18 531	
Water	8 194	-	-	-	-	-	242	242	8 436	8 818	9 536	
Waste water management	4 480	-	-	-	-	-	(900)	(900)	3 580	4 722	4 982	
Waste management	3 065	-	-	-	-	-	1 000	1 000	4 065	3 237	3 421	
Other	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditure - Standard	3	91 091	-	-	-	-	11 659	11 659	102 449	107 740	115 887	
Surplus/ (Deficit) for the year		19 941	-	-	-	-	10 386	10 386	30 628	25 871	27 311	

The table above reflects the adjusted budget income of Council to be R133 m and the adjusted operating expenditure as being R102.75m, thus resulting in a revised operating surplus of R30.3m. The revenue budget has increased by 19.8%, operating expenditure by 12.8% and operating surplus by 52% from the original budget.

6 Sundays River Valley - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -

Vote Description <i>[Insert departmental structure etc]</i> R thousands	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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		
Revenue by Vote	1											
Vote 1 - Executive & Council		1 126	-	-	-	-	-	-	-	1 126	1 190	1 259
Vote 2 - Finance & Administration		40 571	-	-	-	-	-	-	-	40 571	43 589	45 996
Vote 3 - Planning & Development		995	-	-	-	-	-	-	-	995	1 208	1 275
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		100	-	-	-	-	-	-	-	100	104	110
Vote 6 - Public Safety		1 000	-	-	-	-	-	375	375	1 375	1 050	1 105
Vote 7 - Sport and Recreation		7	-	-	-	-	-	-	-	7	7	8
Vote 8 - Environmental Protection		914	-	-	-	-	-	-	-	914	960	1 009
Vote9 - Roads & Transport		3 727	-	-	-	-	-	2 000	2 000	5 727	6 013	6 318
Vote10 - Housing Services		168	-	-	-	-	-	-	-	168	177	186
Vote11 - Solid Waste		9 250	-	-	-	-	-	-	-	9 250	9 941	10 518
Vote12 - Waste Water Management		4 485	-	-	-	-	-	134	134	4 619	4 806	5 082
Vote13 - Electricity		14 868	-	-	-	-	-	2 741	2 741	17 609	17 402	18 307
Vote14 - Water Service Authority		33 821	-	-	-	-	-	16 795	16 795	50 616	47 164	52 027
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	111 032	-	-	-	-	-	22 045	22 045	133 077	133 611	143 198
Expenditure by Vote	1											
Vote 1 - Executive & Council		8 394	-	-	-	-	-	(212)	(212)	8 182	8 981	9 499
Vote 2 - Finance & Administration		34 101	-	-	-	-	-	12 060	12 060	46 161	45 086	46 735
Vote 3 - Planning & Development		4 763	-	-	-	-	-	646	646	5 409	6 117	6 469
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		2 607	-	-	-	-	-	(22)	(22)	2 585	2 757	2 917
Vote 6 - Public Safety		5 986	-	-	-	-	-	152	152	6 138	6 350	6 712
Vote 7 - Sport and Recreation		1 128	-	-	-	-	-	(6)	(6)	1 122	1 192	1 246
Vote 8 - Environmental Protection		937	-	-	-	-	-	-	-	937	990	1 047
Vote9 - Roads & Transport		4 187	-	-	-	-	-	(1 100)	(1 100)	3 087	3 335	3 520
Vote10 - Housing Services		485	-	-	-	-	-	(301)	(301)	184	513	542
Vote11 - Solid Waste		3 065	-	-	-	-	-	1 000	1 000	4 065	3 237	3 421

Vote12 - Waste Water Management		4 480	-	-	-	-	-	(900)	(900)	3 580	4 722	4 982
Vote13 - Electricity		12 764	-	-	-	-	-	(200)	(200)	12 564	15 643	19 262
Vote14 - Water Service Authority		8 194	-	-	-	-	-	242	242	8 436	8 818	9 536
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	91 091	-	-	-	-	-	11 358	11 358	102 449	107 740	115 887
Surplus/ (Deficit) for the year	2	19 941	-	-	-	-	-	10 687	10 687	30 628	25 871	27 311

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

Total Revenue has increased with R22.579m being

- R375 000 from the Public Safety Vote due to the grant that will be received from Cacadu District municipality for fire services,
- R2m from Roads and Transport vote as a result of increase in license fee income,
- R2.7m from Electricity vote as a result of increased electricity consumption being billed
- R16.795m from Water Service Authority vote which indicates the R16m RBIG funds which has been omitted from the original budget and R795 000 increase in service charges billed

Total expenditure has increased with R11.358m being

- R12.060m increase from Finance and Administration vote due to increase in depreciation (GRAP implementation) of R10.3m and increase in provision for doubtful debts of R2m. Computer cost also increased with R200 000 whilst skills dev training increased with R260 000. The Vote saw a decrease in general & other expenditure of R700 000.
- R646 000 increase from Planning and development as a result of an error in the original budget where PMU expenditure (MIG funds) to the value of R975 000 were not accounted for. Subsistence and travel increased with R290 000 to cater for the training of process controllers. The vote saw a decrease of general and other expenditure of R619 000
- R152 000 increase from Public Safety vote which was as a result of an increase in salaries and wages of R126 400 due to new appointments that will be made for Fire & Disaster which is funded by grant from Cacadu and increase in advertising fees of R29 000. The vote saw a decrease of R3 000 on general and other expenditure.
- Decrease of R1.1m in Roads and transport. An amount of R1.5 million was originally budgeted for repairs and maintenance on roads, but has not been spent thus far. Cash flow will no longer permit an amount of R1.5m to be spent within the remaining months of the year. MIG funding of approximately R1m will be used for the initiation of upgrading of gravel roads during this financial year. Technical department will be drafting a plan to identify critical roads which needs attention prior to year end to spend the remaining R500 000 on.
- Decrease of R301 000 in Housing Vote. This is due to the position of Housing Officer being vacant.
- R1m increase in Solid waste vote due to an increase in subsidies provided to indigent people
- Decrease of R900 000 in Waste water management vote due to a reduction in repairs and maintenance of buildings and sewerage pumps. New sewerage pumps were acquired instead of repaired. Also a reduction in subsidies paid to indigents.
- R242 000 increase in Water Service Authority vote to allow for appointment of process controllers

**EC106 Sundays River Valley - Table B4 Adjustments Budget Financial Performance
(revenue and expenditure) -**

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Property rates	2	14 700	-	-	-	-	-	-	-	14 700	15 435	16 237
Property rates - penalties & collection Charges		19							-	19	23	24
Service charges - electricity revenue	2	11 918	-	-	-	-	-	2 741	2 741	14 659	14 302	15 045
Service charges - water revenue	2	9 937	-	-	-	-	-	795	795	10 732	10 434	10 976
Service charges - sanitation revenue	2	2 677	-	-	-	-	-	134	134	2 811	2 811	2 957
Service charges - refuse revenue	2	5 062	-	-	-	-	-	-	-	5 062	5 315	5 592
Service charges – other		169							-	169	178	187
Rental of facilities and equipment		63							-	63	66	70
Interest earned - external investments		200							-	200	210	221
Interest earned - outstanding debtors		1 860							-	1 860	1 953	2 055
Fines		1 012							-	1 012	1 062	1 117
Licences and permits		2 614						2 000	2 000	4 614	4 845	5 088
Agency services		1 107							-	1 107	1 162	1 222
Transfers re-recognised – operating		36 283						375	375	36 658	39 962	42 455
Other revenue	2	4 882	-	-	-	-	-	-	-	4 882	5 026	5 183
Total Revenue (excluding capital transfers and contribution mins)		92 503	-	-	-	-	-	6 045	6 045	98 548	102 783	108 431
Expenditure By Type	-											
Employee related costs		29 304	-	-	-	-	-	(1 329)	(1 329)	27 975	31 101	32 944
Remuneration of councillors		3 826							-	3 826	4 056	4 299
Depreciation & asset impairment		4 700	-	-	-	-	-	10 300	10 300	15 000	15 000	15 000
Finance charges		683	-	-	-	-	-	-	-	683	717	755
Bulk purchases		10 981	-	-	-	-	-	(200)	(200)	10 781	13 705	17 141
Contracted services		352	-	-	-	-	-	26	26	378	397	417
Transfers and grants		2 627						266	266	2 893	2 758	2 902
Other expenditure		38 619	-	-	-	-	-	2 294	2 294	40 913	40 006	42 432
Total Expenditure		91 091	-	-	-	-	-	11 358	11 358	102 449	107 740	115 890

Surplus/(Deficit)	1 412	-	-	-	-	-	(5 313)	(5 313)	(3 901)	(4 958)	(7 459)
Transfers recognised - capital	18 529						16 000	16 000	34 529	30 828	34 767
Surplus/(Deficit) before taxation	19 941	-	-	-	-	-	10 687	10 687	30 628	25 871	27 308
Taxation								-	-		
Surplus/(Deficit) after taxation	19 941	-	-	-	-	-	10 687	10 687	30 628	25 871	27 308
Attributable to minorities								-	-		
Surplus/(Deficit) attributable to municipality	19 941	-	-	-	-	-	10 687	10 687	30 628	25 871	27 308
Share of surplus/ (deficit) of associate								-	-		
Surplus/ (Deficit) for the year	19 941	-	-	-	-	-	10 687	10 687	30 628	25 871	27 308

The above table depicts the adjustment budget by source. Total revenue adjustment before capital amounts to R6,045m comprising service charges increasing by R3,670m, license and permits increasing by R2m and transfers recognised operating increasing by R375 000.

The expenditure per type increased by R11,358m. The expenditure per type increases as a percentage of the adjustment budget are as follows: Depreciation contributes to 90%, Contract services 0.2%, transfers and grants 2% and other expenditure 20% of the total adjustment. Salaries and wages decreased by 11.7% and bulk purchases decrease with 1.7% of the total adjustment budget due to savings.

**EC106 Sundays River Valley - Table B5 Adjustments Capital Expenditure Budget
by vote and funding -**

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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 thousands		A	A1	B	C	D	E	F	G	H		
<u>CAPITAL EXPENDITURE – VOTE</u>												
<u>Single-year expenditure to be adjusted</u>	2											
Vote 1 - Executive & Council		628	-	-	-	-	-	(550)	(550)	78	-	-
Vote 2 - Finance & Administration		780	-	-	-	-	-	(80)	(80)	700	30	-
Vote 3 - Planning & Development		350	-	-	-	-	-	800	800	1 150	-	-
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		31	-	-	-	-	-	-	-	31	-	-
Vote 6 - Public Safety		171	-	-	-	-	-	(75)	(75)	96	-	-
Vote 7 - Sport and Recreation		1 000	-	-	-	-	-	(1 000)	(1 000)	-	-	-
Vote 8 - Environmental Protection		9	-	-	-	-	-	-	-	9	-	-
Vote9 - Roads & Transport		4 780	-	-	-	-	-	(3 650)	(3 650)	1 130	-	-
Vote10 - Housing Services		-	-	-	-	-	-	-	-	-	-	-
Vote11 - Solid Waste		530	-	-	-	-	-	200	200	730	-	-
Vote12 - Waste Water Management		6 974	-	-	-	-	-	2 637	2 637	9 611	-	-
Vote13 - Electricity		-	-	-	-	-	-	-	-	-	-	-
Vote14 - Water Service Authority		7 575	-	-	-	-	-	18 383	18 383	25 958	30 828	34 767
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		22 827	-	-	-	-	-	16 665	16 665	39 492	30 858	34 767
Total Capital Expenditure - Vote		22 827	-	-	-	-	-	16 665	16 665	39 492	30 858	34 767
<u>Capital Expenditure - Standard</u>												
<i>Governance and administration</i>		1 408	-	-	-	-	-	(630)	(630)	778	30	-
Executive and council		628	-	-	-	-	-	(550)	(550)	78	-	-
Budget and treasury office		635	-	-	-	-	-	(40)	(40)	595	-	-
Corporate services		145	-	-	-	-	-	(40)	(40)	105	30	-
<i>Community and public safety</i>		1 202	-	-	-	-	-	(1 075)	(1 075)	127	-	-
Community and social services		31	-	-	-	-	-	-	-	31	-	-
Sport and recreation		1 000	-	-	-	-	-	(1 000)	(1 000)	-	-	-

		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
Public safety		171						(75)	(75)	96	-	-
Housing									-	-		
Health									-	-		
Economic and environmental services		5 139	-	-	-	-	-	(2 850)	(2 850)	2 288	-	-
Planning and development		350						800	800	1 150	-	-
Road transport		4 780						(3 650)	(3 650)	1 130	-	-
Environmental protection		9						-	-	9	-	-
Trading services		15 079	-	-	-	-	-	21 220	21 220	36 299	30 828	34 767
Electricity									-	-		
Water		7 575						18 383	18 383	25 958	30 828	34 767
Waste water management		6 974						2 637	2 637	9 611	-	-
Waste management		530						200	200	730	-	-
Other									-	-		
Total Capital Expenditure - Standard	3	22 827	-	-	-	-	-	16 665	16 665	39 492	30 858	34 767
Funded by:												
National Government		18 537						16 000	16 000	34 537	30 828	34 767
Provincial Government									-	-		
District Municipality									-	-		
Other transfers and grants									-	-		
Total Capital transfers recognised	4	18 537	-	-	-	-	-	16 000	16 000	34 537	30 828	34 767
Public contributions & donations									-	-		
Borrowing		2 880						1 450	1 450	4 330		
Internally generated funds		1 410						(785)	(785)	625	30	
Total Capital Funding		22 827	-	-	-	-	-	16 665	16 665	39 492	30 858	34 767

The Capital adjustment budget amounts to a 71% increase from the original budget. The total adjusted capital budget is R16,665m. The adjustment budget is made up of 96% from the RBIG funds which was gazetted in terms of DORA but omitted from original budget. R1,450m has been budgeted for replacement of fleet as the current contract has come to term and fleet needs to be replaced.

**EC106 Sundays River Valley - Table B6 Adjustments Budget
Financial Position -**

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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												
ASSETS												
Current assets												
Cash		3 564						6 472	6 472	10 035	20 081	28 367
Call investment deposits	1	8 241	-	-	-	-	-	(8 241)	(8 241)	-	-	-
Consumer debtors	1	5 576	-	-	-	-	-	8 984	8 984	14 560	14 560	14 560
Other debtors		30 608						5 409	5 409	36 016	36 259	36 513
Current portion of long-term receivables		4						(0)	(0)	3	4	4
Inventory								212	212	212	222	234
Total current assets		47 992	-	-	-	-	-	12 834	12 834	60 827	71 127	79 678
Non current assets												
Long-term receivables		66						(66)	(66)	-	-	-
Investments										-	-	-
Investment property										-	-	-
Property, plant and equipment	1	69 986	-	-	-	-	-	263 867	263 867	333 853	349 711	369 478
Agricultural										-	-	-
Intangible										-	-	-
Other non-current assets								59	59	59	62	66
Total non current assets		70 052	-	-	-	-	-	263 860	263 860	333 912	349 773	369 544
TOTAL ASSETS		118 045	-	-	-	-	-	276 694	276 694	394 738	420 900	449 221
LIABILITIES												
Current liabilities												
Bank overdraft									-	-	-	-
Borrowing		1 534	-	-	-	-	-	2 245	2 245	3 780	3 245	2 856
Consumer deposits		234						(10)	(10)	224	235	247
Trade and other payables		44 787	-	-	-	-	-	(3 474)	(3 474)	41 313	43 167	45 185
Provisions		23 992						(20 941)	(20 941)	3 050	3 276	3 512
Total current liabilities		70 546	-	-	-	-	-	(22 180)	(22 180)	48 366	49 923	51 800
Non current liabilities												
Borrowing	1	4 090	-	-	-	-	-	6 169	6 169	10 258	8 617	7 366
Provisions	1	5 062	-	-	-	-	-	(22)	(22)	5 040	5 412	5 802
Total non current liabilities		9 152	-	-	-	-	-	6 146	6 146	15 298	14 030	13 168
TOTAL LIABILITIES		79 698	-	-	-	-	-	(16 034)	(16 034)	63 664	63 953	64 967
NET ASSETS	2	38 347	-	-	-	-	-	292 727	292 727	331 074	356 947	384 254
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		38 347	-	-	-	-	-	292 728	292 728	331 074	356 946	384 254
Reserves		-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY		38 347	-	-	-	-	-	292 728	292 728	331 074	356 946	384 254

EC106 Sundays River Valley - Table B7 Adjustments
Budget Cash Flows -

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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												
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		39 160						20 437	20 437	59 597	60 416	63 446
Government - operating	1	36 283						375	375	36 658	39 962	42 455
Government - capital	1	18 529						16 008	16 008	34 537	30 828	34 767
Interest		2 060								2 060	2 163	2 275
Dividends												
Payments												
Suppliers and employees		(73 134)						(11 992)	(11 992)	(85 126)	(90 297)	(98 258)
Finance charges		(825)						825	825			
Transfers and Grants	1											
NET CASH FROM/(USED) OPERATING ACTIVITIES		22 073	-	-	-	-	-	25 653	25 653	47 726	43 072	44 685
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE												
Decrease (Increase) in non-current debtors												
Decrease (increase) other non-current receivables	-	(4)						1	1	(3)	(3)	(3)
Decrease (increase) in non-current investments												
Payments												
Capital assets		(22 828)						(16 665)	(16 665)	(39 492)	(30 858)	(34 767)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(22 831)	-	-	-	-	-	(16 664)	(16 664)	(39 496)	(30 861)	(34 770)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans												
Borrowing long term/refinancing		2 880						1 450	1 450	4 330		
Increase (decrease) in consumer deposits		13								13	11	12
Payments												
Repayment of borrowing		(1 217)						(1 695)	(1 695)	(2 912)	(2 176)	(1 641)
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 676	-	-	-	-	-	(245)	(245)	1 431	(2 165)	(1 629)
NET INCREASE/ (DECREASE) IN CASH HELD												
Cash/cash equivalents at the year begin:		917						8 744	8 744	9 661	10 046	8 286
Cash/cash equivalents at the year end:	2	(336)						710	710	374	10 035	20 081
	2	581						9 454		10 035	20 081	28 367

EC106 Sundays River Valley - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		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		
Cash and investments available												
Cash/cash equivalents at the year end	1	581	-	-	-	-	-	9 454	9 454	10 035	20 081	28 367
Other current investments > 90 days		11 224	-	-	-	-	-	(11 224)	(11 224)	(0)	(0)	(0)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		11 805	-	-	-	-	-	(1 770)	(1 770)	10 035	20 081	28 367
Applications of cash and investments												
Unspent conditional transfers		3 657	-	-	-	-	-	(2 025)	(2 025)	1 632	1 632	1 632
Unspent borrowing									-	-		
Statutory requirements									-	-		
Other working capital requirements	2	7 408	-					(2 663)	(2 663)	4 745	6 364	8 136
Other provisions									-	-		
Long term investments committed		-	-					-	-	-	-	-
Reserves to be backed by cash/investments		-	-					-	-	-	-	-
Total Applications of cash and investments:		11 065	-	-	-	-	-	(4 688)	(4 688)	6 377	7 996	9 767
Surplus(shortfall)		740	-	-	-	-	-	2 919	2 919	3 658	12 085	18 599

EC106 Sundays River Valley - Table B9 Asset Management -

Description	Ref	Budget Year 2011/12								Budget Year +1 2012/13	Budget Year +2 2013/14	
		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												
CAPITAL EXPENDITURE												
<u>Total New Assets to be adjusted</u>	1	4 024	-	-	-	-	-	-	-	4 024	22 558	23 767
Infrastructure - Water		500	-	-	-	-	-	-	-	500	22 528	23 767
Infrastructure - Sanitation		725	-	-	-	-	-	-	-	725	-	-
Infrastructure		1 225	-	-	-	-	-	-	-	1 225	22 528	23 767
Other assets	6	2 799	-	-	-	-	-	-	-	2 799	30	-
<u>Total Renewal of Existing Assets to be adjusted</u>	2	18 804	-	-	-	-	-	-	-	18 804	22 558	23 767
Infrastructure - Road transport	-	4 390	-	-	-	-	-	-	-	4 390	-	-
Infrastructure - Water	-	7 545	-	-	-	-	-	-	-	7 545	22 558	23 767
Infrastructure - Sanitation	-	5 869	-	-	-	-	-	-	-	5 869	-	-
Infrastructure	-	17 804	-	-	-	-	-	-	-	17 804	22 558	23 767
Community	-	1 000	-	-	-	-	-	-	-	1 000	-	-
<u>Total Capital Expenditure to be adjusted</u>	4	4 390	-	-	-	-	-	-	-	4 390	-	-
Infrastructure - Road transport		8 045	-	-	-	-	-	-	-	8 045	45 087	47 534
Infrastructure - Water		6 594	-	-	-	-	-	-	-	6 594	-	-
Infrastructure - Sanitation		19 029	-	-	-	-	-	-	-	19 029	45 087	47 534
Infrastructure		1 000	-	-	-	-	-	-	-	1 000	-	-
Community		2 799	-	-	-	-	-	-	-	2 799	30	-
Other assets												
TOTAL CAPITAL EXPENDITURE to be adjusted	2	22 827	-	-	-	-	-	-	-	22 827	45 117	47 534
ASSET REGISTER SUMMARY - PPE (WDV)	5											
Infrastructure - Road transport		4 114							-	4 114	3 780	3 520
Infrastructure - Electricity									-			
Infrastructure - Water		22 291							-	22 291	41 186	60 475
Infrastructure - Sanitation		32 667							-	32 667	30 019	27 949

Infrastructure		59 072	-	-	-	-	-	-	-	59 072	74 985	91 943
Community		937							-	937	861	802
Heritage assets									-	-		
Investment properties									-	-		
Other assets		9 978							-	9 978	9 169	8 536
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	69 986	-	-	-	-	-	-	-	69 986	85 014	101 281
EXPENDITURE OTHER ITEMS												
Depreciation & asset impairment		4 700	-	-	-	-	-	10 300	10 300	15 000	15 000	15 000
Repairs and Maintenance by asset class	3	6 443	-	-	-	-	-	-	-	6 443	5 691	5 987
<i>Infrastructure - Road transport</i>		1 935	-	-	-	-	-	-	-	1 935	957	1 007
<i>Infrastructure - Electricity</i>		740	-	-	-	-	-	-	-	740	777	817
<i>Infrastructure - Water</i>		687	-	-	-	-	-	-	-	687	721	759
<i>Infrastructure - Sanitation</i>		1 010	-	-	-	-	-	-	-	1 010	1 061	1 116
<i>Infrastructure - Other</i>		505	-	-	-	-	-	-	-	505	530	558
Infrastructure		4 877	-	-	-	-	-	-	-	4 877	4 046	4 256
Community		786	-	-	-	-	-	-	-	786	825	868
Other assets	6	781	-	-	-	-	-	-	-	781	820	863
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		11 143	-	-	-	-	-	10 300	10 300	21 443	20 691	20 987
% of capital exp on renewal of assets		82.4%	0.0%							82.4%	50.0%	50.0%
Renewal of existing assets as % of deprecn		400.1%	0.0%							125.4%	150.4%	158.4%
R&M as a % of PPE		9.2%	0.0%							9.2%	6.7%	5.9%
Renewal and R&M as a % of PPE		36.1%	0.0%							36.1%	33.2%	29.4%

PART 2 – SUPPORTING DOCUMENTATION

CHAPTER 5

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 District Municipality
- Trading services revenue
- Grant funds omitted from original budget as per DORA

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

- Depreciation charges – GRAP compliance
- Provision for doubtful debt
- Capital expenditure (grant funded) omitted from original budget
- Repairs and maintenance

5.2 ADJUSTMENT BUDGET FUNDING

The adjustment budget is funded from National Treasury grant funds originally omitted from approved budget, loan funding and trading service revenue

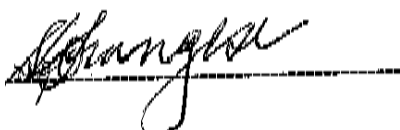
6. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

QUALITY CERTIFICATE

I, S. Somngesi, Acting Municipal manager of Sundays River Valley Municipality, hereby certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, and that the adjustments budget and supporting documentation are consistent with the Integrated Development plan of the municipality

S. SOMNGESI

ACTING MUNICIPAL MANAGER OF SUNDAYS RIVER VALLEY MUNICIPALITY (EC106)



DATE: 28/2/2012