

INDAKA MUNICIPALITY



ADJUSTMENT BUDGET REPORT 2011 /12

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PART 1 – 2011/12 ADJUSTMENTS BUDGET

1.1 Mayor's Report

Summary of reasons for the 2011/12 Adjustments Budget

In accordance with section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- (i) To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue;
- (ii) To 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;
- (iii) To authorise the utilisation of projected savings in one vote towards spending under another vote;
- (iv) To 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 rollovers when the annual budget for the current year was approved by the Council;
- (v) To correct any errors in the 2011/2012 budget.

The Municipal Budget and Reporting Regulations stipulate that one adjustments budget may be tabled in the municipal Council during a financial year. The Adjustments Budget must normally be approved by Council by the end of February.

In line with the MFMA and the Municipal Budget and Reporting Regulations, the 2011/12 approved Budget has thus now been adjusted. The earlier adjustment has been mainly necessitated as a result of the following:

- The need to adjust revenue and expenditure estimates upwards in view of material over-collection of revenue.
- Grants processed as Capital instead of operating expenditure.
- The need to ensure that the budget is cash backed.
- The need to authorise the utilisation of projected savings in one vote towards spending under another vote.

It must be noted that the Municipality's ledger as at 31 December 2011 does not reflect an accurate reflection of the collection of revenue and expenditure due to items incorrectly posted and items not posted at all. Manual calculations have been done in order to give Council a more realistic account of the Municipality's financial position. As far as possible the adjustment budget has been amended to take into consideration the errors etc. With the assistance of the administrator the incorrectly posted entries will be corrected as soon as possible.

The administrator mid-year assessment indicate that the expenditure report as at 31 December 2011 was incorrect.

The revision of the SDBIP will be done in full compliance with section 54(1)(c) of the MFMA and the Mayor will table it in the next Council meeting after approval by the mayor.

Adjustment Budget	2011/2012 Budget	Actual Income/ Expenditure as at Jan 2012	Adjustment Budget 2011/2012	Variances	%
<u>INCOME</u>					
Property Rates	-100,000	-2,959,967	-5,000,000	-4,900,000	4900.00
Service Charges	0	-98,081	-196,161	-196,161	100.00
Rentals	0	-43,246	-85,931	-85,931	100.00
Interest	-150,000	-288	-250,000	-100,000	66.67
Operating Grants	-55,525,000	-37,385,000	-55,675,000	-150,000	0.27
Capital Grants	-23,770,000	-8,693,000	-23,770,000	0	0.00
Other Income	-120,000	-19,986	-46,992	73,008	-60.84
Accumulated Surplus			-2,713,378	-2,713,378	100.00
	-79,665,000	-49,199,567	-87,737,462	-8,072,462	10.13
<u>EXPENDITURE</u>					
Salaries	11,548,062	4,868,077	11,770,751	222,689	1.93
Councillors remuneration	3,516,836	2,056,160	4,800,842	1,284,006	36.51
Depreciation	3,500,000	0	3,000,000	-500,000	-14.29
Debt impairment					
Finance Charges	840,000	3,593	540,000	-300,000	-35.71
Contract Services	2,786,720	1,926,270	5,620,000	2,833,280	101.67
General Expenditure	15,979,211	6,133,458	18,590,339	2,611,128	16.34
Grant Funds	350,000	840,518	2,640,000	2,290,000	654.29
Repairs & Maint	4,445,000	353,394	4,545,000	100,000	2.25
Contributions	0	0	1,400,000	2,400,000	100.00
Capital Expenditure	34,868,836	835,334	32,130,530	-2,738,306	-7.85
FBE.	1,830,335	1,455,554	2,700,000	869,665	47.51
	79,665,000	18,472,359	87,737,462	8,072,462	10.13
	0	-30,727,208	0	0	

1.2 Adjustment Budget for 2011/12 MTREF.

It is now my pleasure to table the combine Capital and Operating Adjustment Budget of R87 737 462 before the Council, consisting of the Operating Adjustments Budget of R55 606 932 and Capital Adjustments Budget of R32 130 530; I therefore move that the Council approve the said Adjustments Budget as more fully set out in the following 10 Budget Tables; and that the approved Adjustments Budget be submitted to the relevant departments within ten working days:

Table B1: Adjustment Budget Summary

Table B2: Adjustment Budget Financial Performance (Standard Classification

Table B3: Adjustment Budget Financial Performance (Revenue and Expenditure by municipal vote)

Table B4: Adjustment Budget Financial Performance (Revenue and Expenditure)

Table B5: Adjustment Budget Capital Expenditure Budget by vote and funding

Table B6: Adjustment Budget Financial Position

Table B7: Adjustment Budget Cash flow

Table B8: Cash backed reserves, accumulated surplus reconciliation

Table B9: Asset Management

Table B10: Basic Service Delivery Measures

1.3 EXECUTIVE SUMMARY

Financial Information analysis

The original 2011/12 Budget has been increased from R79,665,000 to R87,737,462 an increase of R8,072,462 (10.13% increase) .

R2,713,378 are funds which have been transferred from the accumulated surplus being surplus funds from the previous year.

The rates have increase by R4,900,000 to provide for rates rebate , and a budget has been provided for refuse although no funds are collected for refuse. The non collection has been reflected in the expenditure as revenue foregone.

The other major adjustment was to provide provisions for leave, rehabilitation of landfill site and settlement contracts amounting to R2,050,000

The Capital expenditure has been adjusted downwards as operational grants were captured as capital in the original budget.

The increase in revenue was made up of as follows:

INCOME

Rates – General	-4,900,000	Increase
Accumulated Funds	-2,713,378	Increase
Refuse Removal	-196,161	Increase
Community Library Service Grant	-150,000	Increase
Income – Interest	-100,000	Increase
I E C Rentals	-48,246	Increase
A N C Rentals	-35,088	Increase
Burial Fees	-4,992	Increase
Hire: Hall	-2,000	Increase
Rental	-597	Increase
Miscellaneous	78,000	Decrease
TOTAL INCOME	-8,072,462	

The increase in the Operating Budget of R 8 072 462 is made up as follows:

EXPENDITURE

Salaries	222,689	Increase
Remuneration of councilors	1,284,006	Increase
Depreciation	-500,000	Decrease
Contract services	2,833,280	Increase
Social services aid	-500,000	Decrease
Sports fund	-350,000	Decrease
Entertainment	-255,000	Decrease
Conferences and seminars	-250,000	Decrease
Rental Office Machinery	-250,000	Decrease
Refuse removal bins	-50,000	Decrease
Feasibility studies	-200,000	Decrease
Water	-50,000	Decrease
Books and publications	-15,000	Decrease
Telephones	15,000	Increase
Cleaning services	20,000	Increase
Cellphones	42,000	Increase
Support and maintenance	46,500	Increase
Printing and Stationary	100,000	Increase
Street Lighting	159,834	Increase
Electricity	185,000	Increase
Fuel & Lubricants	200,000	Increase
IDP and Spacial Development	500,000	Increase
Audit fees	400,000	Increase
Rates Impermissible	1,692,565	Increase
Rates Rebate	2,540,229	Increase
Refuse Rebate	196,161	Increase
Conditions met MSIG Grant	790,000	Moved from capital
Conditions met FMG Grant	1,500,000	Moved from capital
Board Room alterations	-150,000	Moved to Capital
Vehicles	250,000	
Leave	250,000	Increase
Rehabilitation of Landfill Site	500,000	Increase
Settlement contracts	650,000	Increase
Office furniture and Equipment (all new offices)	50,000	
Council Chamber Upgrade	150,000	
Vehicles(Grader, Dozzer)	-2,090,050	
New Hall	450,000	
Computer equipment	200,000	
MFMA RECURRENT GRANT	-1,500,000	
MSIG Grant	-790,000	
Audit Committee and Internal Audit (MAP)	-50,000	
MIG	1,000,000	
Working Capital Reserve	-500,000	
Cash Backing of Grant Funding	-1,358,256	
Contract services (FBE)	869,665	
TOTAL EXPENDITURE	<u>8,072,462</u>	

Affects on Grant Funds

The Municipality received an additional R150 000 for a Library grant , adjustments seen in SB8

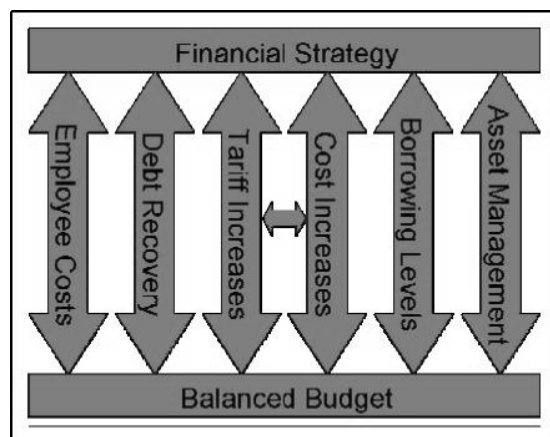
1.4 ADJUSTMENT BUDGET TABLES.

RT 2 - SUPPORTING DOCUMENTATION

2. ADJUSTMENT BUDGET PROCESS OVERVIEW

2.1 ADJUSTMENT TO BUDGET ASSUMPT1ONS

The following are some of the major factors that are taken into consideration, and which primarily determines the financial approach:



The abovementioned budget assumptions ultimately influence the budget and changes in these assumptions can affect the adjustments budget to be adopted by Council.

However the budget assumptions presented in the 2011/12 MTREF remains unchanged.

2.2 ADJUSTMENT TO BUDGET FUNDING

In terms of Section 18 of the MFMA an annual budget may only be funded from realistically anticipated revenues to be collected, cash-backed accumulated funds from previous year's surpluses and borrowed funds for funding of the capital budget. Furthermore the revenue projections must be realistic taking into account projected revenue for the current year and actual revenue collected in the previous financial year. These requirements as well as other budget principles guided the 2011/12 Adjustments Budget process.

In terms of circular 51 all Municipalities must show revenue foregone as disclosed on SB1. The original budget reflected the net budget of the rates and no rates rebate. The adjustment budget has taken the actual rates into consideration as income and expended the rates foregone, the net effect was an increase in rates revenue by R667,206 as seen in the diagram below.

	2011/2012 Budget	Actual Income/ Expenditure as at Jan 2012	Adjustment Budget 2011/2012	Variances
<u>INCOME</u>				
Rates				
Rates - General	-100,000	-2,959,967	-5,000,000	-4,900,000
Rates Impermissible		0	1,692,565	1,692,565
Rates Rebate	0	1,481,800	2,540,229	2,540,229
	-100,000	-1,478,166	-767,206	-667,206

Where income had been received not budgeted an estimate of the next 6 months was projected and added to the current income received. Interest received entries have not been processed to the ledger. Interest was manually calculated. Other income was adjusted downwards aligned to what had been received so far.

The deficit in the budget is mainly due to grant expenditure for the FMG and the MSIG as well as no provisions were made in the original budget.

2.3 ADJUSTMENT TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

The Community services Library grant was brought into the adjustment budget due additional funds received. See table SB7

2.4 ADJUSTMENT TO EXPENDITURE ON ALLOCATIONS OR GRANTS MADE BY MUNICIPALITIES

There were no changes.

2.5 ADJUSTMENTS TO COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS

Changes have been made to employee benefits and councillors allowances. The Government Gazette for Councillors allowance increases was only received in December 2011. The increase was higher than anticipated. There will also be one full time councillor which was not originally budgeted. The proposed increase has been sent to the MEC and approved by the MEC.

2.6 ADJUSTMENT TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP was approved by Council for the 2011/2012 year, the targets and performance indicators remain unchanged should there be adjustments they will be tabled at the next council meeting.

2.7 ADJUSTMENTS TO CAPITAL EXPENDITURE

The main adjustment to the capital budget was the removal of operational grants incorrectly categorised.

During the Mid-term review it has been noted that no capital expenditure has been processed in the ledger. This will be rectified as soon as possible.

	2011/2012 Budget	Adjustment Budget 2011/2012	2012/2013 Budget	2013/2014 Budget
<u>CAPITAL BUDGET</u>				
Office furniture and Equipment (all new offices)	-	50,000	-	-
Council Chamber Upgrade	-	150,000	-	-
Vehicles	2,300,050	210,000	2,214,054	2,391,178
Office equipment	75,000	75,000	81,000	87,480
New Hall	400,000	850,000	432,000	466,560
Waste Management	100,000	0.00	108,000	116,640
Computer equipment	-	200,000	-	-
FMG Grant	1,500,000	-	1,500,000	1,750,000
MSIG Grant	790,000	-	800,000	900,000
Audit Committee and Internal Audit (MAP)	50,000	-	54,000	58,320
Integrated Electrification Grant (Municipalities)	7,000,000	7,000,000	770,000	291,600
MIG	15,770,000	16,770,000	17,031,600	18,394,128
Working Capital Reserve	500,000	-	540,000	583,200
Other Capital Projects	5,025,530	6,825,530	9,145,811	10,060,392
Cash Backing of Grant Funding	1,358,256	-	1,736,917	1,875,870
Total Contributions	34,868,836	32,130,530	38,328,016	38,328,016

The following summarizes the adjustments (decrease) in the capital project budget

IDAKA MUNICIPALITY
Adjustment Budget 2011/2012

PART 3 – OTHER SUPPORTING DOCUMENTATION

3.1 MUNICIPAL MANAGERS QUALITY CERTIFICATION

I, municipal manager of Indaka 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 Indaka Municipality

Signature.....

Date