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MOGALAKWENA MUNICIPALITY

2011/12 MID-YEAR REVIEW AND ADJUSTMENT BUDGET

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PART 1 – ADJUSTMENTS BUDGET

1.1 Mayor's report

The Mayor will present her report separately in the council meeting of 28 February 2012.

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

1.2 Resolutions

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

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

1.3 Executive summary

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

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

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

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

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

	Approved budget	Increase/ (Decrease)	Adjusted budget
	R	R	R
Total revenue	697,924,498.00	88,146,053.00	814,070,551.00
Total expenditure	545,928,258.00	18,409,161.00	564,337,419.00
Operating surplus	151,996,240.00	97,736,892.00	249,733,132.00
Changes in net assets	151,996,240.00	97,736,892.00	249,733,132.00
Closing surplus	-	-	-

1.3.2 Effect of adjustments budget on provision of basic services

The adjustments budget will have an effect on the provision of basic services. Concrete pumphouses in various villages are moved to the 2012/2013 financial year in order to bring forward the budget for Skrikfontein from 2012/2013 to 2011/2012.

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

The 2011/12 medium-term budget was amended by departmental managers by authorizing the offsetting of operating budget variations within the votes delegated to them, essentially allowing variations within the department budget 'groups' but not across budget groups. Therefore, for example, managers could transfer allocations within an expenditure group such as 'employee costs'. It should also be noted that each capital project also represents a vote requiring Council approval to amend.

The adjustment of the 2011/12 medium-term budget has an effect on some of the performance targets in the Service Delivery Budget Implementation Plan and this plan should thus be amended accordingly.

1.3.4 Highlight of adjustments made to approved annual budget

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

MOGALAKWENA ADJUSTMENT BUDGETED STATEMENT OF FINANCIAL PERFORMANCE			
Details	Approved Budget (R)	Adjustment (R)	Adjusted Budget (R)
Property rates	38,233,139.00	-	38,233,139.00
Service charges – electricity	156,671,265.00	-	156,671,265.00
Service charges – water	36,311,718.00	-	36,311,718.00
Service charges –sanitation	11,174,655.00	-	11,174,655.00
Service charges – refuse	10,031,373.00	-	10,031,373.00
Service charges – others	-	-	-
Rental of facilities	778,735.00	-	778,735.00
Interest earned investments	10,883,221.00	6,116,779.00	17,000,000.00
Interest earned outstanding debtors	2,157,100.00	-	2,157,100.00
Fines	1,307,538.00	-	1,307,538.00
Licenses and permits	60,000.00	-	60,000.00
Income for agency services	6,633,990.00	-	6,633,990.00
Government grants - operational	232,679,506.00	(30,466.00)	232,649,040.00
Government grants - capital	182,940,830.00	93,746,128.00	276,686,958.00
Other income	2,123,572.00	2,413,612.00	4,537,184.00
Public contributions and donations	1,937,856.00	13,900,000.00	15,837,856.00
Profit on sale of land	4,000,000.00	-	4,000,000.00
Total revenue	697,924,498.00	116,146,053.00	814,070,551.00

Employee related costs	170,034,499.00	(42,500.00)	169,991,999.00
Remuneration of councilors	15,180,875.00	-	15,180,875.00
Bad debts	36,784,552.00	2,537,590.00	39,322,142.00
Collection costs	185,000.00	-	185,000.00
Depreciation	58,226,865.00	-	58,226,865.00
Repairs and maintenance	46,097,459.00	427,135.00	46,524,594.00
Interest paid	-	-	-
Bulk purchases	132,191,250.00	(400,000.00)	131,791,250.00
Contracted services	27,197,200.00	(1,008,622.00)	26,188,578.00
Grants and subsidies paid	2,191,136.00	50,000.00	2,241,136.00
General expenditure	52,340,492.00	17,546,719.00	69,887,211.00
New connections	1,134,719.00	105,505.00	1,240,224.00
Free basic services	17,819,595.00	(806,666.00)	17,012,929.00
Expenditure recharged	13,455,384.00	-	13,455,384.00
Total operating expenditure	545,928,258.00	18,409,161.00	564,337,419.00

The following table indicates the Adjustment Budgeted Expenditure by Vote:

Operating Expenditure by Vote	Approved Budget (R)	Adjustment (R)	Adjusted Budget (R)
Executive and council	83,775,173.00	1,517,320.00	85,292,493.00
Corporate support services	25,326,007.00	316,568.00	25,642,575.00
Finance	15,431,411.00	(36,666.00)	15,394,745.00
Developmental services	17,511,467.00	200,000.00	17,711,467.00
Technical services	167,224,995.00	12,516,134.00	179,741,129.00
Community services	33,511,757.00	1,510,933.00	35,022,690.00
Traffic and emergency	38,125,310.00	3,020,000.00	41,145,310.00
Electrical	165,022,138.00	(635,128.00)	164,387,010.00
Operating Expenditure by Vote	545,928,258.00	18,409,161.00	564,337,419.00

The table below represents the summarized 2011/12 adjustment capital budget for Mogalakwena Municipality:

Capital Expenditure by Vote	Approved Budget (R)	Additional/ Reduced (R)	Adjusted Budget (R)
Executive and council	583,010.00	2,316,964.00	2,899,974.00
Corporate support services	1,498,700.00	2,476,509.00	3,975,209.00
Finance	681,300.00	835,777.00	1,517,077.00
Developmental services	507,450.00	-	507,450.00
Technical services	159,526,015.00	66,005,170.00	225,531,185.00
Community services	19,872,715.00	26,662,793.00	46,535,508.00
Traffic and emergency	1,545,200.00	627,500.00	2,172,700.00
Electrical	19,781,850.00	230,286.00	20,012,136.00
Capital Expenditure by Vote	203,996,240.00	99,102,838.00	303,099,078.00

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Summarized 2011/12 Adjustment Capital Budget per Funding Source

Funding	Approved Budget (R)	Adjustment (R)	Adjusted Budget (R)
Own Funding (CRR)	21,055,410.00	4,454,646.00	25,510,056.00
Equitable Share	16,200,000.00	4,539,497.00	20,739,497.00
MIG	90,608,830.00	31,528,809.00	122,137,639.00
Office of the Premier	-	1,411,184.00	1,411,184.00
Waterberg District Municipality	2,000,000.00	-	2,000,000.00
DWAE	40,132,000.00	29,870,559.00	70,002,559.00
DoE	6,000,000.00	47,766.00	6,047,766.00
Neighbourhood Grant	28,000,000.00	27,250,377.00	55,250,377.00
Total	203,996,240.00	99,102,838.00	303,099,078.00

1.4 Adjustments budget tables

1.4.1 The adjustments budget tables

Table B1	Adjustments Budget Summary (attached as page 372)
Table B2	Adjustments Budget Financial Performance (standard classification) (attached as pages 373 to 375)
Table B3	Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) (attached as pages 376 to 380)
Table B4	Adjustments Budget Financial Performance (revenue and expenditure) (attached as page 381)
Table B5	Adjustments Capital Expenditure Budget by vote and funding (attached as pages 382 to 387)
Table B6	Adjustments Budget Financial Position (attached as page 388)
Table B7	Adjustments Budget Cash Flows (attached as page 389)
Table B8	Cash Backed reserves/ accumulated surplus reconciliation (attached as page 390)
Table B9	Asset Management (attached as page 391)
Table B10	Basic Service Delivery Measurement (attached as page 392)

1.4.2 Budget related information and explanatory notes

Supporting information and explanations of trends and anomalies for each table are reflected as table SB1 to SB20 (attached as pages 393 to 414)

PART 2 – SUPPORTING DOCUMENTATION

2.1 Adjustments to budget assumptions

2.1.1 Interest rates for borrowing and investment of funds

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

2.1.2 Timing of Revenue Collection

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

2.1.3 Collection Rates

The average collection rate has been stable at 85% in the previous financial year and 85% by December 2011. Although the collection rate has been stable, the municipality must further improve on that to remain sustainable in the long-term.

2.1.4 Trends in demand for Free or Subsidized Basic Services

At this stage the demand for free or subsidized basic services grows at a steady pace as and when new indigents are registered.

2.1.5 Ability of the municipality to spend and deliver on programmes

Additional capital projects will be implemented from additional grants allocated through the revised Division of Revenue Act (Government Notice 1080 Gazette number 34880) date 20 December 2011.

2.2 Adjustments to budget funding

Allocations from the Division of Revenue Act Government Notice 1080 Gazette number 34880 dated 20 December 2011:

Water Services Operating Grant	R 104 000.00
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Additional allocations in kind from the Division of Revenue Act Government Notice 1080 Gazette number 34880 dated 20 December 2011:

NDPG (Technical Assistance)	R 1 500 000.00
Water Services Operating Grant	R 1 019 000.00
Regional Bulk Infrastructure Grant	R 14 200 000.00
Rural Households Infrastructure Grant	R 1 431 000.00

Reduced allocations from the Division of Revenue Act Government Notice 1080 Gazette number 33880 dated 20 December 2011:

There were no allocations which were reduced through the revised Division of Revenue Act (Government Notice 1080 Gazette number 34880) dated 20 December 2011.

Additional income anticipated – operational budget

Interest on investment	R 6 116 779.00
Equitable share	R 4 539 497.00 (Roll-overs)
Dwaf regional bulk grant	R 1 870 559.00 (Roll-overs)
Municipal Infrastructure Grant	R 30 674 511.00 (Roll-overs)
Neighbourhood Dev Partnership Grant	R 27 250 377.00 (Roll-overs)
Insurance claims income	R 634 016.00
Vat review refund	R 1 704 596.00
EDI Refund	R 1 900 000.00
PPL Mine project	R 12 000 000.00
Minor adjustments	R 44 534.00
Total	R 88 146 053.00

2.3 Adjustments to expenditure on allocations and grant programmes

Additional expenditure required – operational budget

Bad debts	R 2 537 590.00
Repairs and maintenance	R 213 000.00
Motlhotlo sanitation project	R 12 000 000.00
Refuse bins	R 1 809 338.00
Salga levy	R 378 477.00 (transfer)
Audit fees	R 500 000.00 (transfer)
Minor adjustments	R 970 756.00
Total	R 18 409 161.00

The additional expenditure is funded through savings from other votes as well as additional revenue anticipated to be collected during the remaining six months.

2.4 Adjustments to allocations and grants made by the municipality

There were no adjustments to allocations and grants made by the municipality.

2.5 Adjustments to councillor allowances and employee benefits

Councillor allowances

No adjustments were made to councillor allowances.

Employee benefits

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

Details	Approved Budget (R)	Additional/ Reduced (R)	Adjusted Budget (R)
Night shift	201,593.00	(10,000.00)	191,593.00
Standby allowance	1,458,433.00	(25,000.00)	1,433,433.00
Travelling allowance	12,252,472.00	63,000.00	12,315,472.00
Total	13,912,498.00	28,000.00	13,940,498.00

2.6 Adjustments to service delivery and budget implementation

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

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

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

Municipal Infrastructure Grant

- i) Skrikfontein water project (budget b/f from 2012/2013) : R2 000 000,00
- ii) Construction of concrete pumphouse (Moved to 2012/13):
 - Malepetleke : R 78 125.00
 - Mosesetjane (Kgobudi) : R 78 125.00
 - Dipere/ Nong : R 78 125.00
 - Nkidikitlana : R 78 125.00
 - Dipichi : R 78 125.00
 - Tiberius : R 78 125.00
 - Wydhoek : R 78 125.00
 - Phahladira : R 78 125.00
 - Grasvlei : R 78 125.00
 - Mushi : R 78 125.00
 - Vianah : R 78 125.00
 - Uitspanning : R 78 125.00
 - Van Wykspan : R 78 125.00
 - Marulaneng : R 78 125.00
 - Kromkloof : R 78 125.00

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▪ Taolome	: R	78 125.00
▪ Pudiakgopa	: R	78 125.00
▪ Leyden	: R	78 125.00
▪ Lesodi	: R	78 125.00
▪ Rantlakane	: R	78 125.00
▪ Ga-Molekane	: R	78 125.00
▪ Rooiwal	: R	78 125.00
▪ Fothane Scheme	: R	78 125.00
▪ Moordkoppie	: R	78 125.00
▪ Hlogo Ya Nku	: R	78 125.00
▪ Ham No1	: R	46 875.00

iii) Rebone landfill to be funded from savings : R 300 000.00

2.7 Adjustments to capital expenditure

Additional expenditure required – capital budget

	Original	Increase/ (Decrease)	Adjusted
Networking	-	519,301.00	519,301.00
Palisade fence	-	250,000.00	250,000.00
Works depot	5,150,000.00	(173,731.00)	4,976,269.00
Roads and stormwater	66,935,390.00	25,956,973.00	92,892,363.00
Sewerage works	2,534,000.00	3,782,217.00	6,316,217.00
Streetlight Mahwelereng	-	1,356,889.00	1,356,889.00
Water distribution	75,622,625.00	35,382,822.00	111,005,447.00
Cemetery Mahwelereng	-	1,065,510.00	1,065,510.00
Sports facilities	-	2,313,170.00	2,313,170.00
Library	2,000,545.00	9,837,481.00	11,838,026.00
Landfill Development	-	300,000.00	300,000.00
Sports node	12,580,037.00	9,339,122.00	21,919,159.00
Refuse trucks	2,500,000.00	(908,537.00)	1,591,463.00
Traffic lights	200,000.00	600,000.00	800,000.00
Electrification of farmworker houses	-	47,766.00	47,766.00
Solar power supply to dumping site	-	182,520.00	182,520.00
Council's general expenses	-	1,389,902.00	1,389,902.00
Mayoral vehicle	-	800,000.00	800,000.00
Human resources	15,000.00	445,245.00	460,245.00
Civic centre - Aircons	-	1,179,593.00	1,179,593.00
Civic centre- carports	-	200,000.00	200,000.00
IT support	346,000.00	535,000.00	881,000.00
Concrete wall - Procurement	-	750,000.00	750,000.00
Other capital expenditure	36,112,643.00	3,951,595.00	40,064,238.00
Total	203,996,240.00	99,102,838.00	303,099,078.00

Roll-overs from 2010/11 form part of the adjustments budget.

2.8 Other supporting documents

No amendments were made to budget related policies.

2.9 Municipal manager's quality certification

Quality Certificate

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

Print name : _____

Municipal Manager of : Mogalakwena Municipality

Signature : _____

Date : _____