

ITEM C02/01/2014

ADJUSTMENTS BUDGET FOR 2013/2014 FINANCIAL YEAR

4/1/2 - 2013/2014

REPORT OF THE MUNICIPAL MANAGER

1. PURPOSE OF REPORT

The purpose of the report is to highlight the performance of the District Municipality during the first six months of the 2013/14 financial year ending 31st December 2013 which is in compliance with the MFMA regulations by no later than the last week of January 2014. Also to recommend relevant and material adjustments relating to the approved 2013/2014 budget. Further the assessment takes into consideration the actual amounts reported each month which were compared to the approved budget allocations.

2. BACKGROUND

Meeting statutory obligations: MFMA

Section 28 of the Local Government Municipal Finance Management Act, which deals with the adjustments budgets, reads as follows:

“Municipal adjustments budgets

28. (1) A municipality may revise an approved annual budget through an adjustments budget.
- (2) an adjustments budget –
 - (a) must adjust the relevant 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, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
 - (d) may authorize the utilization of projected savings in one vote towards spending under another vote;
 - (e) may authorize 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 of 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.
- (3) An adjustments budget must be in a prescribed form.
- (4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.
- (5) When an adjustments budget is tabled, it must be accompanied by –
 - (a) an explanation how the adjustments budget affects the annual budget;
 - (b) a motivation of any material changes to the annual budget;
 - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
 - (d) any other supporting documentation that may be prescribed.
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- (7) Section 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”

3. DISCUSSION

In terms of the latest National Treasury – Guidelines 2013/14 MTREF budget update circular no 66, Gert Sibande District Municipality is expected to prepare a credible and sustainable budget and this aspect must also be maintained when the preparation of the mid-year and performance review budget is undertaken. Hence the District in preparation of its adjustment budget is always faced with the challenge of undertaking a detailed review of the approved original budget and subsequently producing accurate and timely data from internal financial, technical and administrative systems.

Further, it must be highlighted that the mid-year budget & performance review, coupled with the monthly budget statements are considered key documents to assist in the preparation and finalization of an adjustment budget.

SUMMARY OF ADJUSTMENT BUDGET 2013/14

Detail	Budget 2013/2014 R	Adjustments through virement R	Actuals Dec'2013 R	Adjustments Budget 2013/14 R
Revenue				
Grants	-264,822,000	-264,822,000	-200,557,000	-266,822,000
Interest on investments	-2,900,000	-2,900,000	-1,551,423	-3,800,000
Income from tariffs	-1,500,000	-1,500,000	0	-1,500,000
Other income	-840,480	-840,480	-2,025,845	-2,081,280
DWA funding - RBIG	-55,000,000	-55,000,000	-439,646	-28,126,315
Funding- EHP - Province	-6,850,000	-6,850,000	0	
Loan - Capital Projects	-30,000,000	-30,000,000	0	-45,000,000
Proceeds from disposal of Assets	-30,000,000	-30,000,000	0	-30,000,000
Contribution Accumulated Surplus	-67,557,617	-61,176,379	0	-51,205,843
Central PMU for LM"s MIG Allocation	-11,573,780	-11,573,780	0	-2,000,000
Total Income	-471,043,877	-464,662,639	-204,573,914	-430,535,438
Expenditure				
Allocations to Local Municipalities	108,750,000	149,498,619	46,337,753	149,398,615
Transfer Projects	40,129,857			
RBIG Projects	55,000,000	55,000,000	439,646	28,126,315
Departmental Allocations	45,972,000	33,898,220	4,639,373	63,322,000
Administration of the Act	169,917,940	169,917,940	68,123,765	162,988,208
Donations	200,000	200,000	198,400	300,000
Capital Expenditure	40,500,300	35,000,300	16,024,129	24,400,300
Central PMU for LM"s MIG Allocation	10,573,780	10,573,780		2,000,000
Total Expenditure	471,043,877	454,088,859	135,763,066	430,535,438

COMMENTS ON MATERIAL ADJUSTMENTS EFFECTED TO ORIGINAL 2013/14 APPROVED BUDGET

REVENUE

GRANT INCOME

The total grant income in terms of allocations made in the Division of Revenue Act, have been increased to R266,822,000.

OTHER INCOME

INTEREST ON INVESTMENTS

The actual interest earnings for the six months have exceeded budgetary expectations, as a direct result of slow project expenditure. Hence it is anticipated that additional earnings will be realized during the remaining six months of the financial year.

INCOME FROM TARIFFS

In view of the fact that the Laboratory operations are in a transitional phase the income has been maintained at R1,500,000.

SUNDRY INCOME

Other income estimations have also been adjusted upwards as a result of the monthly occupational Lease Rental Income being received on the Secunda Offices owing to the fact that legal processes relating to the sale are currently being finalized during the latter period of the 2013/14 financial year.

DWA FUNDING – ACIP

The DWA Funding -ACIP have been reduced to R28,126,315 due to reallocations by DWA.

LOAN

The income from the loan had to be increased from R30 million to R45 million due to the fact that the loan for 2012/2013 wasn't taken up, but all transfers for projects of the previous financial year has been included in the 2013/14 budget.

PROCEEDS FROM DISPOSAL OF ASSETS

The selling of the previous building is in the final stages of registration therefore the income has been maintained at R30,000,000.

CONTRIBUTION ACCUMULATED SURPLUS

The internal reserves amounting to R67,557,617 have been reduced to R51,205,843 which is based on the actual money available and depreciation which is not a cash transaction.

CENTRALISED PMU FOR LMs – MIG ALLOCATION

In terms of the agreement entered into between the District and the LMs and subsequent deliberations that were held, it appears that the LMs are not in a position to redirect any funding during the 2013/14 financial year relating to the administrative fee of between 3% and 3.5% to the District so that the related costs of the Service Provider overseeing the project may be re – imbursed, hence the original Budget provision of R11.57 million has been reduced to R2 million the Adjustment Budget.

EXPENDITURE

PROJECTS AND DEPARTMENTAL ALLOCATIONS

DETAIL	Budget	Actual	Adjustments
	2013/14	Dec'2013	Budget 2013/14
DEPARTMENT -OFFICE - EXE MAYOR			
MAYORAL EXCELLANCE AWARDS	1,100,000	7,500	1,100,000
MAYORAL IMBIZO'S	1,000,000	353,709	800,000
DONATIONS	200,000	198,400	300,000
CO-ORDINATION HIV AND AIDS	1,300,000	682,801	1,300,000
YOUTH DEVELOPMENT	750,000	284,684	800,000
WOMEN'S DEVELOPMENT CAPACITY	750,000	429,227	800,000
RELIGIOUS AFFAIRS(MORAL REGENA	150,000	12,488	150,000
OFFICE - RIGHTS OF THE CHILD	100,000	164	100,000
PEOPLE WITH DISABILITY	300,000	7,875	300,000
	5,650,000	1,976,848	5,650,000

DEPARTMENT - PLANNING & ECO DEV			
TRADITIONAL AFFAIRS / PROJECTS	1,250,000	602,157	1,250,000
LED, TOURISM AND AGRICULTURE	2,000,000	205,955	1,600,000
IDP - NEW AND UPDATE	550,000	27,401	550,000
REGIONAL PLANNING SUPPORT	1,000,000	0	800,000
REG SPORT FACILITIES PLANNING	500,000	0	0
CO - OPERATIVES	1,000,000	0	500,000
MUNICIPAL PLANNING SECTOR PLAN	1,300,000	0	1,200,000
RURAL AND AGRI DEVELOPMENT	1,200,000	140,760	1,200,000
JOB CREATION - ALBERT LUTHULI	1,000,000	621,191	1,400,000
JOB CREATION - MSUKALIGWA	975,000	934,882	2,100,000
JOB CREATION - GOVAN MBEKI	650,000	360,913	1,000,000
JOB CREATION - MKHONDO	1,000,000	565,240	1,500,000
JOB CREATION - LEKWA	850,000	739,410	1,850,000
JOB CREATION - DIPALESENG	650,000	311,818	700,000
JOB CREATION - PIXLEY KA SEME	875,000	726,653	1,700,000
	14,800,000	5,236,380	17,350,000
DEPARTMENT - INFRA & TECH SERVICES			
UPDATE BULK WATER/SEWER REPORT	500,000	0	0
BULK WATER METERS	500,000	0	200,000
MANAGEMENT INFORMAT SYSTEMS	2,500,000	0	2,500,000
COMPREHENSIVE INFRASTRUC PLAN	2,000,000	805,383	3,000,000
ALLOCATION TO MUNICIPALITIES	126,489,684	33,355,226	125,028,598
RBIG PROJECTS	55,000,000	439,646	28,126,315
CENTRALISED PMU FOR LM'S MIG A	10,573,780	0	2,000,000
	186,989,684	34,600,256	158,854,913
DEPARTMENT - CORPORATE SEVICES			
BURSARIES	1,500,000	152,145	1,500,000
REVENUE COLLECTION/DATA CLEANS	1,100,000	126,362	2,100,000
IT FOR THE REGION	300,000	1,434	300,000
CAPACITY BUILDING	1,000,000	501,400	1,000,000
COMMUNITY PARTICIPATION	1,000,000	13,500	1,000,000
	4,900,000	794,841	5,900,000
DEPARTMENT - COM & SOCIAL SEVICES			
SPORT,ART AND CULTURE	1,100,000	336,420	1,300,000
MUNICIPAL HEALTH & ENVIROMENT	950,000	254,031	950,000
PUBLIC AWARENESS WATER CONSERV	250,000	45,492	250,000
GSCM MARATHON - ANNUAL EVENT	1,000,000	-12,500	800,000
REG LIBRARY & INFORMATION SERV	650,000	0	650,000
	3,950,000	623,444	3,950,000
DEPARTMENT - FINANCIAL SERVICES			
EMERGENCY/CONTINGENCIES	500,000	3,426	200,000
OPERATION CLEAN AUDIT	5,000,000	4,939,807	15,000,000
	5,500,000	4,943,233	15,200,000
OFFICE OF THE MUNICIPAL MANAGER			
PROMOTION OF THE DISTRICT/COMM	1,800,000	1,012,393	2,200,000
	1,800,000	1,012,393	2,200,000
DEPARTEMENTAL ALLOCATION - HUMAN SETTLEMENT			
ROADS PROJECTS	23,008,935	12,982,527	24,370,017
RURAL ROADS ASSET MAN SYSTEMS	1,822,000	0	1,822,000
REGRAVELING & POTHOLE REPAIR	0	0	5,100,000
DISASTER MANAGEMENT	750,000	20,632	750,000
	25,580,935	13,003,159	32,042,017
TOTAL	249,170,619	62,190,552	241,146,930

Due to the fact that the Phezukomkhono project needed to be implemented till the end of the financial year an additional amount of R4,250,000 had to be added. The cost of the turn around strategy is also much more than anticipated, and therefore an amount of R10 million had to be added to this project. Smaller savings on projects were identified and reduced in the adjustment budget.

ADMINISTRATION OF THE ACT

Detail	Vote	Budget	Actual	Adjustments
		2013/14	Dec'2013	Budget 2013/14
COUNCIL	-			
Mayor & Exec Committee	100	8,705,800	4,120,022	9,276,280
Speaker, Chief Whip & Councillors	106	6,690,730	3,114,956	6,928,620
Council Support	096	5,468,530	2,157,486	5,118,660
TOTAL: Council		20,865,060	9,392,464	21,323,560
MUNICIPAL MANAGER	-			
Municipal Manager	101	3,981,770	1,757,659	3,787,290
Internal Audit	092	5,989,510	3,566,040	5,578,150
TOTAL: Municipal Manager		9,971,280	5,323,700	9,365,440
PLANNING & ECONOMIC DEVELOPMENT	-			
Planning Services	091	8,117,770	3,126,441	7,465,790
IDP	620	1,212,430	493,805	991,650
TOTAL: Planning & Economic Development		9,330,200	3,620,246	8,457,440
CORPORATE SERVICES	-			
Building	089 & 094	22,195,720	10,736,217	22,108,400
IT	095	6,901,240	2,264,208	6,962,600
Legal	097	2,612,510	580,403	2,402,370
Human Resources	098	5,547,350	1,479,282	5,329,080
Administration	099	11,847,430	5,560,037	11,998,690
Communication, Marketing & Tourism	109	2,866,560	1,276,332	2,777,990
TOTAL: Corporate Services		51,970,810	21,896,479	51,579,130
FINANCE	-			
Finance	107	8,691,320	4,461,292	8,553,440
Supply Chain Management	102	5,567,180	2,219,774	5,216,120
Municipal Management & Support	610	1,416,200	553,290	1,326,870
Carwash	503	732,010	359,802	721,960
MSIG	630	890,000	650,254	890,000
TOTAL: Finance		17,296,710	8,244,412	16,708,390
MUNICIPAL INFRASTRUCTURE & SERVICES	-			
Planning, Implementation & Support	105	7,186,210	3,275,025	6,836,080
Infrastructure Maintenance	104	5,295,840	2,913,019	6,462,766
Water & Sanitation	093	8,435,030	2,159,906	7,068,072
TOTAL: Municipal Infrastructure & Services		20,917,080	8,347,950	20,366,918
COMMUNITY & SOCIAL SERVICES	-			
Community & Social Services	108	10,614,090	3,100,323	8,119,370
Municipal Health Services	103	18,549,500	4,501,768	14,558,690
TOTAL: Community & Social Services		29,163,590	7,602,090	22,678,060
HUMAN SETTLEMENT & PUBLIC SAFETY	-			
Human settlement	088	3,187,840	584,992	5,167,830
Disaster Management	090	7,215,370	3,111,432	7,341,440
TOTAL: Human Settlement & Public Safety		10,403,210	3,696,424	12,509,270
GRAND TOTAL		169,917,940	68,123,765	162,988,208

MATERIAL ADJUSTMENTS: ADMINISTRATION OF THE ACT

The expenditure in terms of this category has been adjusted downwards from R169,917,940 to R162,498,208. Vacant positions have only been budgeted for 6 months. No other material expenditure has been allocated towards the administration cost.

EXPENDITURE BREAKDOWN

Detail	Budget	Actual	Adjustments
	2013/14	Dec'2013	Budget 2013/14
	R	R	R
Salaries and wages	90,280,310	32,868,698	79,747,362
Social Contributions	19,127,090	5,952,728	17,138,460
Councillor Allowances	12,088,690	4,892,420	12,103,980
Depreciation	14,870,080	8,525,478	19,450,686
Repair and Maintenance	1,962,400	995,678	2,228,020
Finance Cost	2,000,000	786,735	1,436,700
Contracted Services	2,346,400	889,411	1,906,000
General Expenditure	27,242,970	13,212,616	28,977,000
Total	169,917,940	68,123,765	162,988,208

CAPITAL BUDGET

The capital expenditure budget amount reduced to R24,400,300 as indicated in the table below.

Detail	Budget	Actual	Adjustment
	2013/14	Dec'2013	Budget 2013/14
	R		R
Regional Convention Centre	5,000,000		1,000,000
Lab equipment	1,000,000		1,000,000
Disaster Centres	9,000,300	5,458,447	9,000,300
Vehicles/Construction Equipment	18,000,000	10,400,000	11,400,000
Office furniture and equipment	2,000,000	165,682	500,000
Computer equipment			1,500,000
Sub-Total	35,000,300	16,024,129	24,400,300

FINANCING OF THE BUDGET

The financing of the budget may be summarized as follows:

Detail	Budget 2013/2014 R	Adjustments Budget 2013/14 R
Revenue		
Grants	-264,822,000	-266,822,000
Interest on investments	-2,900,000	-3,800,000
Income from tarriffs	-1,500,000	-1,500,000
Other income	-840,480	-2,081,280
DWA funding - RBIG	-55,000,000	-28,126,315

Funding- EHP - Province	-6,850,000	
Loan - Capital Projects	-30,000,000	-45,000,000
Proceeds from disposal of Assets	-30,000,000	-30,000,000
Contribution Accumulated Surplus	-67,557,617	-51,205,843
Central PMU for LM"s MIG Allocation	-11,573,780	-2,000,000
Total Income	-471,043,877	-430,535,438
Expenditure		
Allocations to Local Municipalities	108,750,000	149,398,615
Transfer Projects	40,129,857	
RBIG Projects	55,000,000	28,126,315
Departmental Allocations	45,972,000	63,322,000
Administration of the Act	169,917,940	162,988,208
Donations	200,000	300,000
Capital Expenditure	40,500,300	24,400,300
Central PMU for LM"s MIG Allocation	10,573,780	2,000,000
Total Expenditure	471,043,877	430,535,438

DETAILED DEPARTMENTAL SCHEDULES

As per Annexures A-1 to A-48 detailed schedules are reflecting the revenue and expenditure relating to each vote. Also attached per Annexures A-49 to A -56 are the direct allocations relating to the Local Municipalities.

NEW DISCLOSURE REQUIREMENTS: ADJUSTMENT BUDGET

In order to comply with the legislative requirements in terms of the new National Treasury format promulgated in terms of Gazette no 32141, Municipal Budget and Reporting Regulations (MBRR) the statutory schedules have been attached herewith. The documents attached herewith per Annexures B-1 to B-32 comprising three main parts with supporting documentation, charts and explanations of trends and deviations are included herewith.

RECOMMENDATIONS OF THE EXECUTIVE MAYOR

1. That the Adjustment Budget for 2013/14 financial year tabled in terms of Section 28 of the Municipal Finance Management Act no 56 of 2003 as illustrated below, be approved.

Detail	Budget 2013/2014 R	Adjustments Budget 2013/14 R
Revenue		
Grants	-264,822,000	-266,822,000
Interest on investments	-2,900,000	-3,800,000
Income from tariffs	-1,500,000	-1,500,000
Other income	-840,480	-2,081,280
DWA funding - RBIG	-55,000,000	-28,126,315
Funding- EHP - Province	-6,850,000	
Loan - Capital Projects	-30,000,000	-30,000,000
Proceeds from disposal of Assets	-30,000,000	-30,000,000
Contribution Accumulated Surplus	-67,557,617	-51,205,843
Central PMU for LM"s MIG Allocation	-11,573,780	-2,000,000
Total Income	-471,043,877	-415,535,438

Expenditure		
Allocations to Local Municipalities	108,750,000	134,398,615
Transfer Projects	40,129,857	
RBIG Projects	55,000,000	28,126,315
Departmental Allocations	45,972,000	63,322,000
Administration of the Act	169,917,940	162,988,208
Donations	200,000	300,000
Capital Expenditure	40,500,300	24,400,300
Central PMU for LM"s MIG Allocation	10,573,780	2,000,000
Total Expenditure	471,043,877	415,535,438

2. That the following Capital Budget for 2013/2014 be approved.

Detail	Budget	Adjustment
	2013/14	Budget 2013/14
	R	R
Regional Convention Centre	5,000,000	1,000,000
Lab equipment	1,000,000	1,000,000
Disaster Centres	9,000,300	9,000,300
Vehicles/Construction Equipment	18,000,000	11,400,000
Office furniture and equipment	2,000,000	500,000
Computer equipment		1,500,000
Sub-Total	35,000,300	24,400,300

3. That the loan facility amounting to R30 million be secured from a recognized Financial Institution and the following legal requirements that need to be adhered to, be approved.

- A tender be placed in the respective newspapers informing the Financial Institutions of the Council's intention to acquire a loan facility amounting to R30 million.
- The legal requirements in terms of Section 46 of the Municipal Finance Management Act be fully complied with.
- The negotiations to secure the best interest rates and other qualitative matters with the respective Financial Institution.
- The facility funding requirements secured be applied towards funding of the Council's core Infrastructural Projects as referred to in the report.

4. That the tables below be approved.

Table B1	-	Budget Summary
Table B2	-	Budgeted financial performance by Standard
Table B3	-	Budgeted financial performance by vote Classification
Table B4	-	Budgeted financial performance by revenue source & expenditure type
Table B5	-	Budgeted Capital Expenditure by vote, Std Class and funds
Table B6	-	Budgeted financial position
Table B7	-	Budgeted cash flow
Table B8	-	Cash back reserves/ accumulated surplus reconciliation

5. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Draft Annual Budget and supporting documentation attached per **Annexure D**, be approved.