



# MOPANI DISTRICT MUNICIPALITY

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## REPORT BY CHIEF FINANCIAL OFFICER ON 2014/2015 ADJUSTMENTS BUDGET

### 1. MOTIVATION

- The Council of Mopani District Municipality has approved the Mid-year Budget and Performance Report during its Council sitting of the 04<sup>th</sup> January 2015.
- According to section 23 (1) of the Municipal Budget and Reporting Regulations, an adjustments budget prepared in line with section 28 of the MFMA may be tabled in the municipal council at any time after the mid-year budget and performance assessment report has been tabled in the council, but not later than 28 February of the current year.
- Section 28(2) of the MFMA states that an adjustments budget:
  - Must adjust the revenue and expenditure estimates downwards if there is material under collection- collection of revenue during the current year;
  - May appropriate additional revenue that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
  - May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
  - May authorise the utilisation of projected savings in one vote towards spending under another vote;
  - 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;
  - May correct any errors in the annual budget and
  - May provide for any other expenditure within a prescribed framework.

## 2. Revenue Collection

- There is a reduction on the Equitable Shares (ES) from R561 000 000 to R380 753 000 due to the 2012/13 roll over repayment.
- There is a reduction on the Regional Bulk Infrastructure Grant (RBIG) for Nandoni Raw water Bulk Supply from R90 000 000 to R14 320 325 as the project is now implemented by DWA.
- Service Charges on Unmetered yards have been reduced from R123 833 322 to R0 based on the fact that processes of public participation for billing in the rural areas are still to be conducted and the Municipality is still to put meters in the unmetered yards.
- There is also a new allocation of R4 000 000 which will fund the Forensic Audit as per Council resolution No 55/2014.

## 3. Capital Spending

- The actual capital expenditure as at January 2015 is 4.26% representing an expenditure of R28 807 732 from a total allocation of R674 766 000 due to non transfer of the MIG grant by National Treasury.
- This was mainly due to the withholding of R284 000 000 by National Treasury which had transferred in error in the 2013/14 financial year and the Municipality was to re-pay back the amount however the Municipality did not transfer it back and continued to use the funds in the implementation of projects in 2013/14.

#### 4. Water and sanitation transactions

- Mopani District Municipality is a Water Service Authority and has all the local municipalities appointed as Water Service Providers.
- The original budget allocated an amount of R96 413 730 for expenditure on water and sanitation for local municipalities and the adjustment budget increased to R100 811 230. Revenue as well increased from R 206 605 412 to R218 605412.
- Furthermore the Municipality allocated an amount of R40 000 000 which will fund the Ba-Phalaborwa Lepelle Northern Water current account debt.

#### 5. Other Corrections

- The personnel budget originally had an allocation of R358 995 751 and is adjusted to R278 700 978
- Legal costs increased from an original budget of R4 000 000 to an adjustment budget of R 20 000 000 to cater for outstanding invoices in the current year which are overdue and also for the cases pending against the municipality.
- The MIG budget for infrastructure projects has been reduced from an original budget of R419 100 000 to an adjustments budget of R 123 000 000.
- There is an allocation of R4 700 000 which will fund the Council upper limits for the financial year 2013/14

## 6. Summary

- The following is the revised budget for the 2014/2015 financial year

### 6.1 REVENUE

Description	Original Budget R	Budget Adjustment R
Interest Earned-External Investment	1,050,000	3,350,000
Operating grants and subsidies	1,223,602,774	610,966,993
Other revenue	4,870,000	21,207,200
Water and Sewerage -locals	195 139 638	218 605 412
Service Charges Unmetered Yards	123,833,322	0
<b>Total</b>	<b>1 548 495 734</b>	<b>854 129 605</b>

### 6.2 EXPENDITURE

Description	Original Budget R	Budget Adjustment R
Salaries and Wages	358 995 751	278 700 978
Depreciation	137 368 895	168 751 896
Debt Impairment	19 856 107	15,756,107
Repairs and Maintenance	103 068 051	131 992 531
Contracted Services	11 765 551	11,765,551
Bulk Purchases	143,580,645	85,066,653
General Expenses	140 198 165	110 113 308
Capital Expenditure	674 766 000	220 696 341
<b>Total</b>	<b>1 569 241 746</b>	<b>1 022 843 368</b>
<b>Surplus/(Deficit) before depreciation</b>	<b>(20 746 012)</b>	<b>(168 713 760)</b>
<b>Less: Depreciation</b>	<b>137 368 895</b>	<b>168 751 898</b>
<b>Surplus/(Deficit)</b>	<b>116 622 883</b>	<b>38 138</b>

NB: Depreciation is a non-cash item hence taken out in determining whether the budget is fully funded or not.