

VHEMBE DISTRICT MUNICIPALITY



2011/12 BUDGET ADJUSTMENT MEDUIM TERM REVENE AND EXPENDITURE FRAMEWORK BUDGET



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PART 1 – ADJUSTMENT BUDGET

1. EXECUTIVE MAYOR'S REPORT

EXECUTIVE MAYOR'S REPORT TO THE VHEMBE DISTRICT MUNICIPALITY COUNCIL MEETING OF 27 JANUARY 2012

Madam Speaker

Colleagues Members of the Council

Public Members in the Gallery

Good Afternoon

Allow me Madam Speaker to welcome all of us members of Vhembe District Municipality Council into this first Council sitting coming after the end of the year 2011 and the festive season. It is indeed very pleasing and heartening to see fellow colleagues having come back safe, refreshed and very sound. It is an indication of the abundance of the blessings bestowed on us by the Almighty. Our district was also fortunate not have high road casualties during this festive season. The absence of all the disasters and unhappiness contributed to having a peaceful transition to the New Year. We hope this is a positive sign that 2012 will also be peaceful, prosperous, and indeed an important milestone in our developmental service delivery responsibilities as a District Municipality

Madam Speaker, the beginning of a New Year and having completed the first cycle of our financial year, afford one an opportunity to highlight milestones reached last year

As a Municipality we held a Strategic Workshop in which we reviewed and refocused the municipality priorities. We reviewed our vision and made recommendations aimed at a five (5) year IDP that will guide this Council's term of office. While not everything could be implemented immediately our intention is to phase in all strategic resolutions resolved with the coming financial year

Madam Speaker and Honourable Members of the Council, the year 2011 has been a very significant year for the country in general and the municipality in particular. The third democratic local government elections were successfully held resulting in the current Municipal Council and others countrywide. Like in the previous elections, the confidence by the majority of the citizens of this country was once more entrusted to the ANC. The people of South Africa and, Limpopo and Vhembe District loudly confirmed that despite the huge, service delivery challenges and backlogs, the ANC has the best plan to address them. A vote of confidence indeed

The ANC Limpopo held a successful elective conference during the month of December. As the governing political party in the Province, it cannot pass unnoticed. What is of importance is the ability to see beyond the conference. The conference made very important resolutions with direct positive impact on improving the pace of service delivery and in the process making the province more developmental. In the culture of this organization collectivism and unity of purpose remains the clarion call even in the aftermath of an elective conference.

Starting in December and going on to be rolling throughout the whole year of 2012, the ANC, which is the governing party of the Republic of South Africa will be celebrating its hundred (100) years of existence. This ANC Centenary Celebration was launched on 08 January 2012 in Mangaung, Bloemfontein. As indicated above, centenary Celebrations last the whole year with monthly celebrations. As if this is not enough, at the end of this year 2012, the governing party of RSA, the ANC, will hold a National Elective Conference. All these will definitely have an impact on the governance of this country and is worth noting as the District Municipality

Madam Speaker and members of the Municipal Council, of importance during December month, five (5) provincial departments were put under administration by the National government. The basis of putting the five (5) departments is drawn from Finance management. While not going into the merits and de merits of the decision, it should be a lesson and warning that no organ of state is immuned from this action. This

decision taken has however a direct impact has on municipalities as it affects service delivery

On a positive note Madam Speaker, Vhembe has once more shined in the Province and Country in Education. Nationally a student from Vhembe District at Mbilwi Secondary School, Murodovha Mukhethwa is one of the country's top ten (10) best grade 12 achievers. Provincially our District is the best grade 12 performer, with Mbilwi secondary School the best performer school and producing the top best achiever in the District

Let me use this opportunity to congratulate all the 2011 grade 12 learners for their achievement, educators and parents for the partnership and support that ensured that as the District we are where we would love to be i.e. amongst the best. A special congratulation goes to Vhembe District Senior District Manager for Education Mr M. G. Rambiyana for courageous leadership

As we conducted the Back to School campaign our hope is that our efforts will contribute to consolidating and deepening this positive culture to all learners in the District. Best achievement is developed from lower grades. This is a challenge of leadership at all levels of society to create a conducive learning environment and culture in our schools. Madam Speaker and Honourable members of the Municipal Council, before tabling items for the consideration of this honourable House allow me to give an overview of the Municipal's performance

Our overall performance in the last six months has not been satisfactory. This will be confirmed by the Midyear Budget Performance Assessment report. This is so mainly our Capital Project expenditure which is critical for service delivery as outlined in our Service Delivery and Budget Implementation Plan (SDBIP). There is need to have an action plan to fast track implementation and spending in this critical area as impediments is removed. As a result of to this unsatisfactory performance there is need to adjust our budget

Madam Speaker the Auditor General's report 2010/11 financial year has qualified the municipality. We will need to address the areas of qualification in order for us to achieve the set target of a clean audit by 2014. To this effect an audit action plan has been developed to set the roadmap and guide us as we correct those qualified areas

Also a draft annual report for 2010/11 will be table to allow overall public scrutiny by Council members (MPAC) before Council can consider adopting the report which will be open to public. This will ensure public accountability and feedback which will result in deepening municipal governance

Madam Speaker, allow me to table the following items for consideration:

Item 01/12/7.11-7.1.4 on:

2011/12 Mid Year Budget Performance Assessment

2011/12 Budget Adjustment

2010/11 Audit Report

Draft Annual Report 2010/11

Madam Speaker I so move

2. RESOLUTIONS

- 2.1 That the adjusted annual budget for the 2011/2012 financial year as permitted in terms of section 28(2) of the MFMA be approved and set out in the following adjustment budget tables:

Table B1: Adjusted budget summary

Table B2: Adjusted budget on financial performance by vote

Table B4: Adjusted budget on financial performance revenue by Source and expenditure by type

Table B5: Adjusted capital expenditure budget by vote and funding

Table B6: Adjusted budget on financial position

Table B7: Adjusted budget on cash flow

Table B8: Cash backed reserves/accumulated surplus
Reconciliation

B9: Asset management

Supporting table SB13: Adjustment budget on monthly revenue and expenditure by vote

Supporting table SB14: Adjustment budget on monthly revenue and expenditure by revenue source and expenditure type

Supporting table SB17: Adjustment budget on monthly capital expenditure by vote

- 2.2 The SDBIP will be adjusted to reflect the adjustments made in the budget allocation and submitted for subsequent approval by the Executive Mayor.
- 2.3 That the adjustment budget for 2011/2012 financial year with the amended service delivery and budget implementation plan and targets be submitted to the National Treasury and Provincial Treasury

3. EXECUTIVE SUMMARY

In April 2011 Council approved the 2011/14 Medium Term Revenue and Expenditure Framework in line with Chapter 4 of the MFMA and the Municipal Budget and Reporting Regulations. The total budget, both the operating and capital, amounts to R 1 333 148 089.

Considering the mid-year budget performance which reflects the overall expenditure of 30% as at the first half of the financial year (31 December 2011), there is a need to adjust the budget. The total budget was adjusted by 24% decrease.

3.1 REVENUE

DESCRIPTION	Original Budget	Adjustment 30 Nov 2011	Total Budget	Adjustment	Adjusted Budget	% Adjusted
Conditional Grants	820,501,702	10,672,000	831,173,702	(317,112,000)	514,061,702	-38%
Unconditional Grants	431,171,118		431,171,118		431,171,118	0%
Surplus / Roll Over	-	57,649,815	57,649,815		57,649,815	0%
Own Funding	81,475,269		81,475,269	(13,474,233)	68,001,035	-17%
TOTAL	1,333,148,089	68,321,815	1,401,469,904	(330,586,233)	1,070,883,670	-24%

The revenue has decreased by 24% which results in the decrease of the following revenue sources:

REVENUE SOURCE	ADJUSTMENT
Department of Water and Forestry Water Operations Subsidy	(19 648 000)
Municipal Disaster Grant	(297 964 000)
Own revenue Source	(13 474 233)

3.2 OPERATING BUDGET

DEPARTMENT	APPROVED BUDGET	ADJUSTMENT	ADJUSTED BUDGET	%ADJUSTED
CORPORATE SERVICES	65,905,893	(16,249,432)	49,656,461	-25%
OFFICE OF THE MUNICIPAL MANAGER	17,440,849	(5,025,049)	12,415,800	-29%
COUNCIL	15,032,546	(4,842,957)	10,189,589	-32%
OFFICE OF THE MAYOR	17,290,527	(1,448,667)	15,841,860	-8%
OFFICE OF THE SPEAKER	2,172,119	(1,534,468)	637,651	-71%
OFFICE OF THE CHIEF WHIP	328,723	(62,268)	266,455	-19%

FINANCE	37,378,809	(7,383,237)	29,995,572	-20%
TECHNICAL SERVICES	8,940,206	4,528,070	13,468,276	51%
COMMUNITY SERVICES	58,910,253	3,936,818	62,847,071	7%
PLANNING	25,174,039	(316,635)	24,857,404	-1%
WATER SERVICES	254,026,209	61,830,485	315,856,694	24%
ENVIRONMENTAL HEALTH SERVICES	14,070,551	(1,375,227)	12,695,324	-10%
TOTAL	516,670,724	32,057,431	548,728,155	6%

The net increase in the operating budget is 6%. The major increase is within Technical and Water Services departments. It must be noted that Vhembe as a water authority, water provision is priority. Maintenance of water infrastructure and operations should be intensified to ensure sustainable water provision and service delivery.

3.3 CAPITAL BUDGET

DEPARTMENT	APPROVED BUDGET	ADJUSTMENT	ADJUSTED BUDGET	%ADJUSTED
CORPORATE SERVICES	19,242,928	(6,874,700)	12,368,228	-36%
OFFICE OF THE MUNICIPAL MANAGER	-	-	-	0%
COUNCIL	-	-	-	0%
OFFICE OF THE MAYOR	150,000	100,000	250,000	67%
OFFICE OF THE SPEAKER	-	-	-	0%
OFFICE OF THE CHIEF WHIP	-	-	-	0%
FINANCE	4,531,000	(4,431,000)	100,000	-98%
TECHNICAL SERVICES	744,591,231	(316,768,562)	427,822,669	-43%
COMMUNITY SERVICES	48,043,436	(19,533,817)	28,509,619	-41%
PLANNING	14,580,000	2,870,000	17,450,000	20%
WATER SERVICES	44,660,583	(17,985,583)	26,675,000	-40%
ENVIRONMENTAL HEALTH SERVICES	8,900,000	-	8,900,000	0%
TOTAL	884,699,178	(362,623,662)	522,075,516	-41%

The net decrease on the capital budget is 41%. The net decrease is attributable to:

- (a) Savings from completed projects.
- (b) Re- allocation of funds from projects where the expenditure is low as a result of various problems on site.
- (c) Adjustment on the roads and water projects which were funded from the disaster grant.

CONCLUSION

In conclusion the impact of the adjustment on the 2011/12 budget is as follows:

DEPARTMENT	ORIGINAL BUDGET	OPERATING	CAPITAL	ADJUSTED BUDGET	ADJUSTMENT	% ADJUSTED
CORPORATE SERVICES	85,148,821	65,905,893	19,242,928	62,024,689	(23,124,132)	-27%
OFFICE OF THE MUNICIPAL MANAGER	17440849	17,440,849	-	12,415,800	(5,025,049)	-29%
COUNCIL	15032546	15,032,546	-	10,189,589	(4,842,957)	-32%
OFFICE OF THE MAYOR	17440527	17,290,527	150,000	16,091,860	(1,348,667)	-8%
OFFICE OF THE SPEAKER	2172119	2,172,119	-	637,651	(1,534,468)	-71%
OFFICE OF THE CHIEF WHIP	328,723	328,723	-	266,455	(62,268)	-19%
FINANCE	41,909,809	37,378,809	4,531,000	30,095,572	(11,814,237)	-28%
TECHNICAL SERVICES	753,531,437	8,940,206	744,591,231	441,290,945	(312,240,492)	-41%

COMMUNITY SERVICES	106,953,689	58,910,253	48,043,436	91,356,689	(15,597,000)	-15%
PLANNING	39,682,039	25,102,039	14,798,401	42,387,404	2,705,365	7%
WATER SERVICES	298,686,792	254,026,209	44,660,583	342,531,694	43,844,902	15%
ENVIRONMENTAL HEALTH SERVICES	22,970,551	14,070,551	8,900,000	21,595,324	(1,375,227)	-6%
TOTAL	1,401,297,902	516,598,724	884,917,579	1,070,883,670	(330,414,232)	-24%

The net decrease of the capital and operating budget is 24%. The total budget has been adjusted to R 1 070 883 67

5. ANNUAL BUDGET TABLES

PART 2 – SUPPORTING DOCUMENTATION

1. Adjustments of budget assumptions

- The approved tariffs increases did not change in the adjustments budget,
- Cash collection for the six month period up to December 2012 was compared to the cash used to pay for services rendered up to the same period. This comparison showed cash flows are under pressure from collections and expenditure sides. Cash outflows exceeded cash inflows for the six month period.
- Budgeted allocations were also compared to actuals for the same period. Adjustments were made upwards or downward depending on the variance reflected by the information available.
- Where there is overwhelming evidence or justification that an allocation for income or expenditure must be provided for this was accommodated in the adjustments budget.

2. Adjustments to budget funding

The sources of funding of the municipality's budget have not changed in the current financial year. As reported the adjustments budget is mainly funded by revenue from services rendered and grant funding as set out in Division of Revenue Act (DORA) and the Provincial Gazette. Refer to table B4 for the detailed information.

3. Adjustments to capital expenditure on allocations and grants programmes

Details relating to this section have been captured above in the section on Executive Summary (1.3).

REVENUE SOURCE	ADJUSTMENT
Department of Water and Forestry Water Operations Subsidy	(19 648 000)
Municipal Disaster Grant	(297 964 000)
Own revenue Source	(13 474 233)

4. Adjustments to allocations and grants made by the municipality

The municipality has not provided for making any allocations or grants to any institutions.

5. Adjustments to councillors allowances and employee benefits

The budgeted amount for employee benefits has been adjusted upwards due an additional staff from Department of Water Affairs. The Councilors remuneration budget has been adjusted downward due to 5% increase the allowances and the municipality was budgeted 7%.

Vote -Description	Budget	Adjustment	Adjusted Budget
Employee related cost	151,961,744.00	(125,626,101.81)	277,587,845.81
Councillors remunerations	10,221,026.00	(2,830,393.64)	7,772,908.71
	162,182,770.00	(128,456,495.45)	285,360,754.52

6. Adjustments to service delivery and budget implementation plan

The Accounting officer will submit for approval by the Executive Mayor revised SDBIP's based on the adjustments being approved.

7. Adjustments to capital expenditure

Capital expenditure has decreased marginally due to withheld of roads projects and our own funding projects due insufficient funds.

8. Other supporting documents

9. Municipal manager quality certificate

The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustments Budget approved by Council at the end of January 2012.