

VHEMBE DISTRICT MUNICIPALITY



2014/15 BUDGET ADJUSTMENT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET



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PART 1 – ADJUSTMENT BUDGET

1. EXECUTIVE MAYOR'S REPORT

Introduction

The municipality at its Council sitting on the 31 January 2015, considered and approved its Mid-year Budget and Performance Assessment Report (Section 76). Following the recommendation of Council on the said report, it was deemed necessary to prepare an adjustment budget and it is hereby tabled for consideration and approval.

Background

This adjustment budget is informed mainly due to the need:

- (a) To provide for the unforeseen and unavoidable expenditure of R12M.
- (b) To make funds available within the capital expenditure programme for maximum impact, as well as to accommodate approved rolled-over projects that were unspent at the end of the 2013/14 financial year.
- (c) To adjust revenue upwards by R17 million from the revenue sources that are likely not to materialise.
- (d) To align the currently approved budget with the recent 2013/14 audit outcome in respect of the depreciation and debt impairment.

Overview

The tables below gives an overview of the proposed adjustment budget that I am now presenting before Council for approval.

BUDGET ADJUSTMENT

DEPARTMENT	ORIGINAL BUDGET	OPERATING BUDGET			CAPITAL BUDGET			ADJUSTED	%
		BUDGET	ADJUSTMENT	ADJUSTED	BUDGET	ADJUSTMENT	ADJUSTED		
		CORPORATE SERVICES	94,391,670	82,491,670	(6,035,830)	76,455,840	11,900,000		
OFFICE OF THE MUNICIPAL MANAGER	14,524,404	14,524,404	2,149,444	16,673,848	-	-	-	16,673,848	115%
COUNCIL	16,466,978	16,466,978	-	16,466,978	-	-	-	16,466,978	0%
OFFICE OF THE MAYOR	16,495,890	16,375,890	-	16,375,890	120,000	(70,000)	50,000	16,425,890	100%
OFFICE OF THE SPEAKER	1,076,674	1,076,674	(19,903)	1,056,771	-	-	-	1,056,771	98%
OFFICE OF THE CHIEF WHIP	373,441	373,441	-	373,441	-	-	-	373,441	100%
FINANCE	44,723,894	44,723,894	-	44,723,894	-	-	-	44,723,894	100%
TECHNICAL SERVICES	582,359,721	30,699,721	495,105	31,194,826	551,660,000	87,974,124	639,634,124	670,828,950	115%
COMMUNITY SERVICES	75,023,005	64,463,136	(380,836)	64,082,300	10,559,869	1,000,000	11,559,869	75,642,169	101%
PLANNING	34,893,824	27,293,824	4,859,120	32,152,944	7,600,000	(900,000)	6,700,000	38,852,944	111%

WATER SERVICES	527,528,059	410,542,059	(14,121,231)	396,420,828	116,986,000	(49,659,493)	67,326,507	463,747,334	88%
ENVIRONMENTAL HEALTH SERVICES	17,812,834	12,213,039	186,792	12,399,831	5,599,795	(5,599,795)	-	12,399,831	70%
TOTAL	1,425,670,394	721,244,730	(12,867,339)	708,377,391	704,425,664	30,003,631	734,429,295	1,442,806,686	1%

Conclusion

Based on the details as outline above and in terms of the Section 28 (2) of the MFMA, it is recommended that Council approves the Adjustment Budget as contained herein, together with the resolutions as contained here below.

T MATIBE
EXECUTIVE MAYOR

2. RESOLUTIONS

2.1 That in terms of Section 28 of the MFMA, 56 of 2003, the annual budget (as approved on the) of the municipality's Budget be increased by R17m to R1,442,806,686 million, Operating Expenditure be decreased by R 12,8m million to R R708,377,391 and Capital Expenditure Budget be increased by R 30m to R 734,429,295 million, be approved/adopted for the 2014/15 financial year as set out in the following tables:

- (a) Table B1 – Consolidated Adjustments Budget Summary
- (b) Table B2 – Consolidated Adjustments Budget Financial Performance (Revenue and Expenditure by Municipal Vote)
- (c) Table B3 - Consolidated Adjustments Budget Financial Performance (Standard Classification)
- (d) Table B4 - Consolidated Adjustments Budget Financial Performance (Revenue & Expenditure)
- (e) Table B5 - Consolidated Adjustments Capital Expenditure. Budget by Vote and Funding.

3. EXECUTIVE SUMMARY

In May 2014 Council approved the 2014/15 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 R1,425,670,394.

Considering the mid-year budget performance which reflects the overall expenditure of 39% as at the first half of the financial year (31 December 2014), there is a need to adjust the budget. The total budget was adjusted by R17 Million increase.

3.1 REVENUE

Description	Total	Adjustment	Adjusted Budget	% Adjustment
Municipal Systems Improvement Grant	934,000	-	934,000	0%
Municipal Infrastructure Grant	486,510,000	-	486,510,000	0%
Equitable Shares	592,795,000	-	592,795,000	0%
Department of Transport Grant(Rural Road Asset	1,948,000	-	1,948,000	0%
Local Government Finance Management Grant	1,250,000	-	1,250,000	0%
Department of Water and Forest Operating Sub	35,000,000	-	35,000,000	0%
Department of Water Affairs - RBIG	27,250,000	-	27,250,000	0%
Water Infrastructure Grant MWIG	65,886,000	65,886,000	-	-100%
LEDET: Biosphere Grant		147,667	147,667	0%
Interest on Investment	9,692,584	3,608,283	13,300,867	37%
Rental of Property	631,121	617,127	13,994	-98%
Sale of Tender Documents	557,568	145,925	703,493	26%
Equipment Landing Deport	3,500,000	2,912,112	587,888	-83%
EPWP	3,696,000	1,176,342	4,872,342	32%
Water Sales	117,068,939	-	117,068,939	0%
Interest on Outstanding debts	-	3,797,295	3,797,295	0%
Other Income SETA	1,200,000	1,845,030	3,045,030	154%
Carnival Festival	-	170,247	170,247	100%

MISA	3,853,002	-	3,853,002	0%
SARS Refund: MIG	59,746,842	5,931,262	53,815,580	-10%
SARS Refund: MWIG AND RBIG	11,437,754	11,437,754	-	-100%
Roll Over: Refurbishment		7,511,256	7,511,256	0%
Roll Over: MIG		86,451,120	86,451,120	0%
Roll Over: Rural and Sanitation		1,523,004	1,523,004	0%
SARS Refund: REFUBISHMENT	2,456,140	2,456,140	-	-100%
Certificate of acceptance	180,000	9,679	189,679	5%
Sale of Manure		1,035	1,035	100%
Fire Service fee	150,000	-82,750	67,250	-55%
TOTAL	1,425,742,950	17,063,736	1,442,806,686	1.2%

The revenue has decreased by 3% which results in the increase of the following Expenditure:

3.2 OPERATING AND CAPITAL BUDGET

BUDGET ADJUSTMENT									
DEPARTMENT	ORIGINAL BUDGET	OPERATING BUDGET			CAPITAL BUDGET			ADJUSTED	%
		BUDGET	ADJUSTMENT	ADJUSTED	BUDGET	ADJUSTMENT	ADJUSTED		
		CORPORATE SERVICES	94,391,670	82,491,670	(6,035,830)	76,455,840	11,900,000		
OFFICE OF THE MUNICIPAL MANAGER	14,524,404	14,524,404	1,851,778	16,376,182	-	-	-	16,376,182	113%
COUNCIL	16,466,978	16,466,978	-	16,466,978	-	-	-	16,466,978	0%
OFFICE OF THE MAYOR	16,495,890	16,375,890	-	16,375,890	120,000	(70,000)	50,000	16,425,890	100%
OFFICE OF THE SPEAKER	1,076,674	1,076,674	-	1,076,674	-	-	-	1,076,674	100%
OFFICE OF THE CHIEF WHIP	373,441	373,441	-	373,441	-	-	-	373,441	100%
FINANCE	44,723,894	44,723,894	-	44,723,894	-	-	-	44,723,894	100%
TECHNICAL SERVICES	582,359,721	30,699,721	637,127	31,336,848	551,660,000	87,974,124	639,634,124	670,970,972	115%

COMMUNITY SERVICES	75,023,005	64,463,136	(380,836)	64,082,300	10,559,869	-	10,559,869	74,642,169	99%
PLANNING	34,893,824	27,293,824	1,023,925	28,317,749	7,600,000	-	7,600,000	35,917,749	103%
WATER SERVICES	527,528,059	410,542,059	(14,121,231)	396,420,828	116,986,000	(56,659,493)	60,326,507	456,747,334	87%
ENVIRONMENTAL HEALTH SERVICES	17,812,834	12,213,039	571,347	12,784,386	5,599,795	(5,599,795)	-	12,784,386	72%
TOTAL	1,425,670,394	721,244,730	(16,453,721)	704,791,009	704,425,664	23,653,631	728,079,295	1,432,870,305	101%

The net increase in the operating and capital budget is R17m. The major increase is within Technical and Water Services departments in the following items water projects, refurbishment, and reduction of Municipal Water Infrastructure Grant (Rollover of MIG and Refurbishment).

CONCLUSION

In conclusion the impact of the adjustment on the 2013/14 budget is as follows:

Type		Total	
Employee costs	433,722,164	426,201,484	-2%
Remuneration of Councillors	12,228,907	12,228,906	0%
Repairs and Maintenance	68,094,316	73,733,858	8%
Other expenditure	207,199,344	196,213,143	-6%
Capital Expenditure	704,498,219	734,429,295	4%
Total	1,425,742,950	1,442,806,686	1%

In conclusion the impact of the adjustment on the 2012/13 budget is as follows:

- The employee related cost is reduce by -2%
- General expenses are decreased -6%
- Repairs and Maintenance increased by 8%

- Contribution to Capital increase by 4%

The net increase of the capital and operating budget is 1%. The total budget has been adjusted to R1,442,806,686

5. ADJUSTMENT BUDGET TABLES

Schedule B1 to B10 attached.

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 2014 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).

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 downwards.

Type		Total	
Employee costs	433,722,164	426,201,484	-2%
Remuneration of Councillors	12,228,907	12,228,906	0%

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 adjustment of MWIG and own Funding projects.

8. Other supporting documents

Non other documents than supporting budget tables

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 February 2014.