

# SISONKE DISTRICT MUNICIPALITY

---

## 2010-2011 MTREF ADJUSTMENTS BUDGET

Budget & Treasury Office

1/31/2011



# SISONKE DISTRICT MUNICIPALITY

---

## Contents

1.	PART 1 – ADJUSTMENTS BUDGET .....	3
1.1	Mayors Report .....	3
1.2	Resolutions.....	5
1.3	Executive Summary.....	5
	OPERATIONAL BUDGET ADJUSTMENTS.....	8
	MTREF CAPITAL BUDGET ADJUSTMENTS .....	9
1.4	Adjustments budget Tables .....	10
1.5	Municipal Entity Adjustments.....	10
1.6	Supporting Information and Charts .....	10
2.	PART 2- SUPPORTING DOCUMENTATION.....	13
2.1	Adjustments to budget assumptions .....	13
2.2	Adjustments to Budget Funding .....	13
2.3	Adjustments to expenditure on allocation and grant programmes .....	15
2.4	Adjustments to allocations and grants made by the Municipality .....	16
2.5	Adjustments to Councillor Allowances and employee benefits .....	16
2.6	Adjustments to Service Delivery and Budget Implementation Plan.....	16
2.7	Adjustments to capital expenditure .....	16
2.8	Other Supporting Documents .....	17
2.9	Municipal Manager’s quality certification .....	17

### ANNEXURES:

- 1.1 Annexure 1 – Budget Resolutions
- 1.2 Annexure 2 – Schedule B Budget Supporting Tables

## 1. PART 1 – ADJUSTMENTS BUDGET

### 1.1 Mayors Report

Honourable Speaker, Councillors,  
Municipal Manager and officials,  
Members of the public and all present here today

I wish to thank the opportunity that has been granted to me to present the 2010/2011 Adjustments Budget for adoption. At the outset, Honourable Dignitaries, may I point out that the Municipal Finance Management Act is a key component of the broader legislative framework governing municipalities where we are compelled to present any changes to the approved budget to Council for approval.

In terms of S 28 of the MFMA, a municipality may revise an approved annual budget through an adjustments budget. Subsection 2 further goes on to state that an adjustments budget—

- (a) Must adjust the revenue and 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, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- (d) May authorise the utilisation of projected savings in one vote towards spending under another vote;
- (e) 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;
- (f) May correct any errors in the annual budget; and
- (g) May provide for any other expenditure within a prescribed framework.

## SISONKE DISTRICT MUNICIPALITY

---

Honourable dignitaries, it should be noted that this adjustment budget is as a result of having followed the due process as outlined in MFMA s72 of having assessed the performance and service delivery targets of the municipality for the first six months of the financial year.

Madam Speaker, our country is still recovering from an economic crises which has seen a number of people in our communities lose their sources of income, some to the point of high levels of desperation. This coupled with the high unemployment rate experienced in the country has had a negative impact in the affordability levels for the services rendered by the Municipality in many communities.

This has just been but one of the limitations in our capacity to optimally deliver services to our people. As the economy is in the recovery process, we have embarked on a strategy to intensify our revenue enhancement programme. Madam speaker today I stand here proud to announce that the results of this revenue enhancement programme, some elements which are contained in this report, have yielded desirable outcome to ensuring the financial sustainability of the Municipality.

Legislation requires that consideration be made on the effects of the economic crisis when preparing the budget, its implications on our capacity to deliver on our mandate to provide quality services. We therefore need to minimise spending on the “nice to haves”, furniture and equipment, travel agents and also reduce water losses. We further need to address the question of the installation of water meters in certain areas where billing occurs at a flat rate. This exercise will be undertaken after having taken due consideration of the cost benefit approach honourable members

As noted in section 28 above, the increase in the municipal budget is as a result of the following movements;

✓ Conditional Grant Funding Rollovers	R27, 1m
✓ Additional Allocations	R19, 0m
✓ Downward Funding Adjustments (Loan& Grants)	R33, 5m

I therefore recommend that the Council approves the 2010-2011 adjustments budget as presented, and that The Municipal Council approves the revision to the service delivery targets and performance indicators in the Service delivery and Budget Implementation Plan as attached.

## 1.2 Resolutions

The resolutions for the approval of the 2010-2011 adjustments budget have been attached as Annexure 1. The resolutions adopted have taken into consideration;

1. The approval of the Adjustments Budget
2. The approval of the adjustments permitted in terms of Section 28(2) of the MFMA.
3. Approval of the revisions of the monthly and quarterly service delivery targets and performance indicators as set out in the Service Delivery and Budget Implementation Plan.

## 1.3 Executive Summary

The increase in the adjustments budget by R45m can only be translated to improved service delivery measures through accelerated and enhanced programmes to the communities of the Sisonke District Municipality.

In its adjustments budget, the Council has also taken into consideration the national priorities issues of ensuring that;

- Drinking water meets the required quality standards at all times;
- High impact Local economic development initiatives that foster micro and small business opportunities and job creation are given special attention,
- The repairs and maintenance budget takes into account the maintenance needs of the Municipalities asset and thus ensuring an uninterrupted supply of basic services and that
- An accelerated expenditure plan on capital projects that are funded by conditional grants is adhered to.

An adjusted budget to the value of R42m has been allocated to the projects that relate to the achievement of the above stated objectives. These projects have been duly adjusted in the SDBIP taking into account the long term financial sustainability of the Municipality.

In terms of the Revenue projections in the MTREF, there have been no major adjustments except for the loss of the Municipal Property Rates revenue stream as a result of the announcement by the

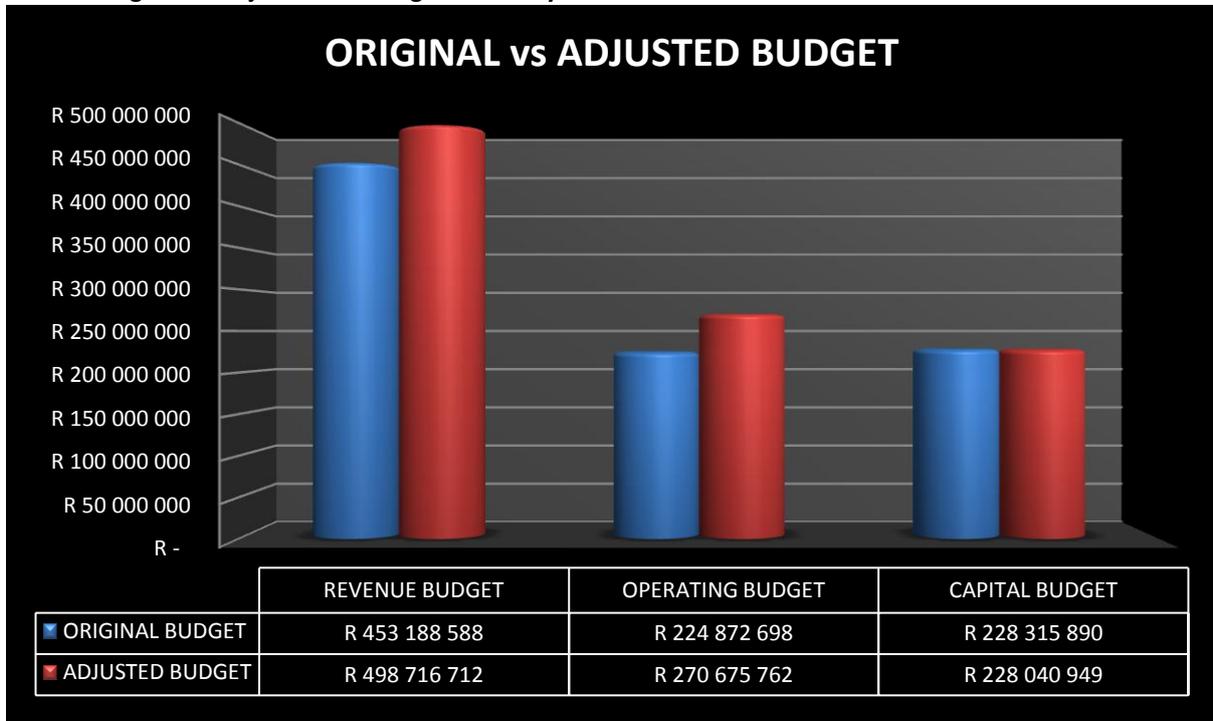
# SISONKE DISTRICT MUNICIPALITY

Municipal Demarcation Board relating to the incorporation of the District Management Areas into the Local Municipalities.

The budget remains credible and fully funded and thus complying with the provisions of section 18 of the MFMA.

The chart below summarise the adjustments made to the original budget that have resulted in the adjusted budget.

**Chart 1: Original vs Adjustments Budget Summary**



# SISONKE DISTRICT MUNICIPALITY

## REVENUE

The adjusted revenue has seen a 20% increase from the original budget mainly as a result of the additional allocations of grants that have been received in the in the current financial year and the unspent portions of the conditional grants at 30 June 2010 that have been rolled over to the budget year.

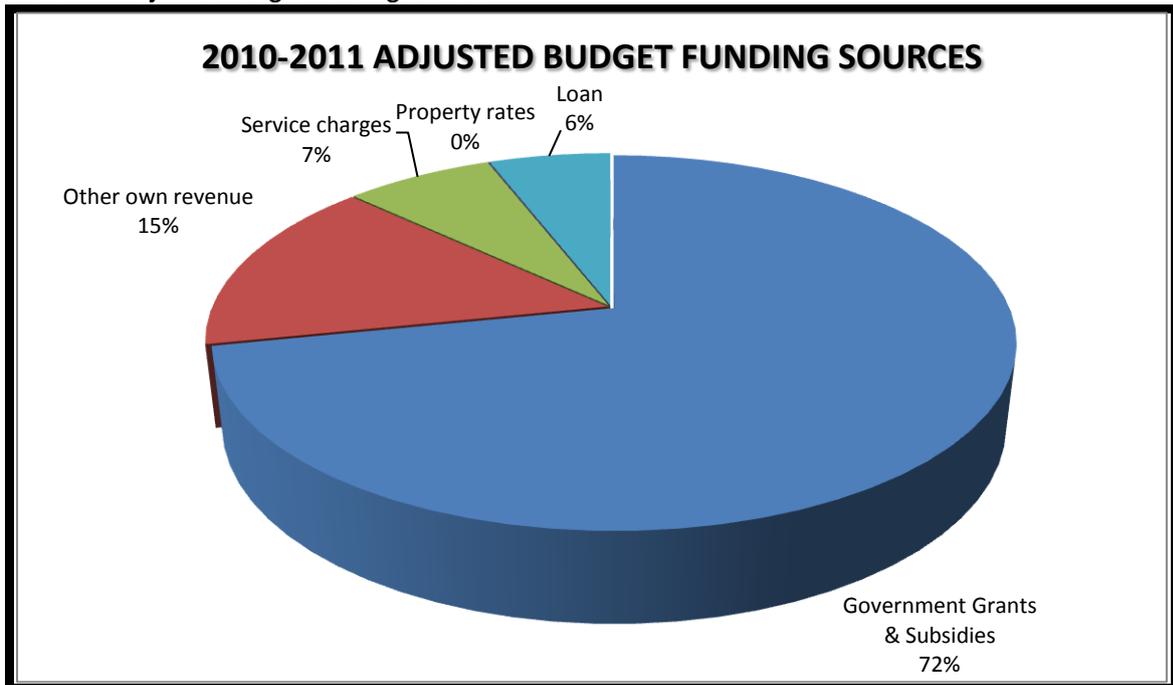
A summary of the adjusted grants is presented in the table below.

**Table 1: Adjusted Capital grants**

	OPEX	CAPEX
<b>Provincial Departments</b>	R9 578 055	R6 6 142 689
<b>National Departments</b>	R163 329 719	R118 955 040

Reference can be made to table SB7 in Annexure B for a detailed movement of these grants.

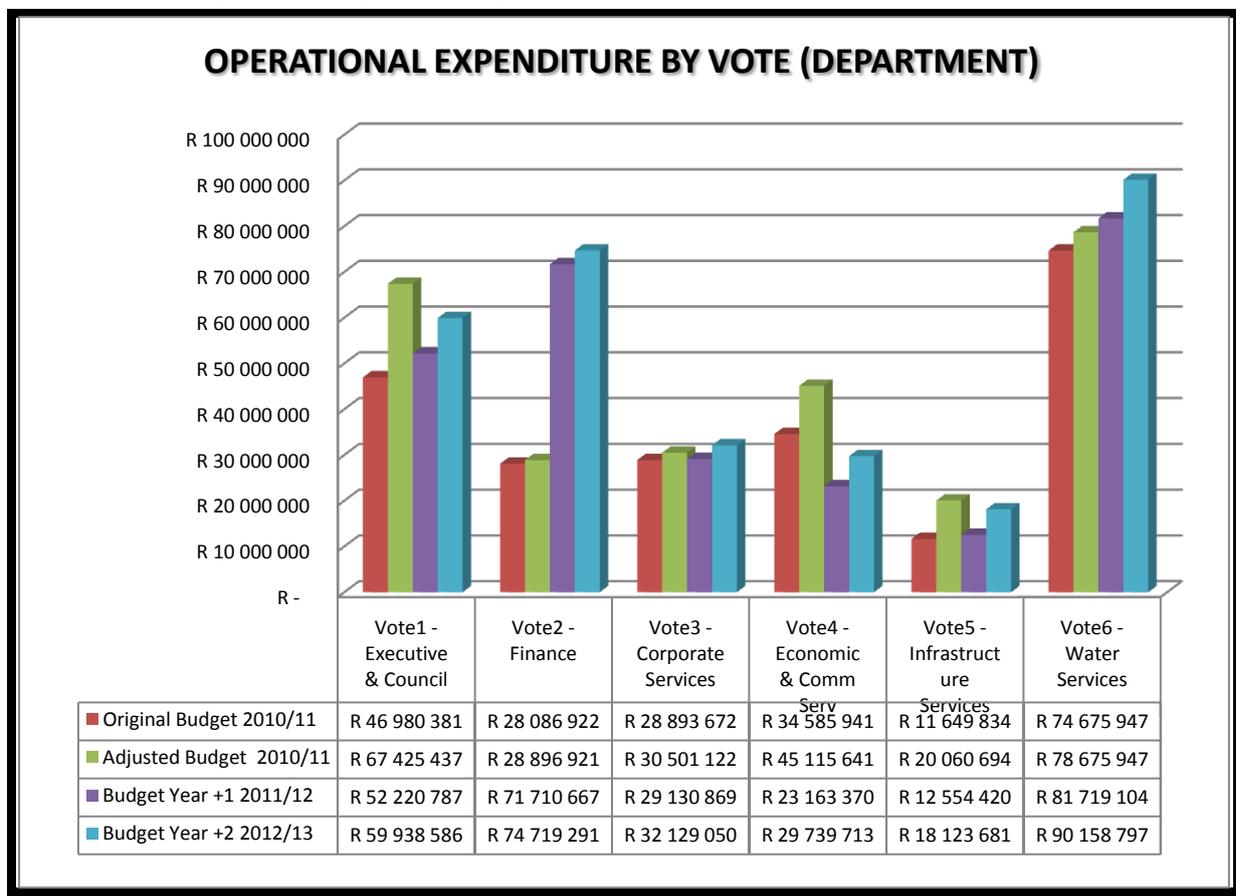
**Chart 1.2: Adjusted Budget Funding Sources**



It is evident from the chart presented above that the major funding source of the municipal budget is the Government grants and subsidies with a contribution of 72% followed by own revenue sources at 15%.

## OPERATIONAL BUDGET ADJUSTMENTS

**Chart 1.3: MTREF Operational Expenditure by Vote**



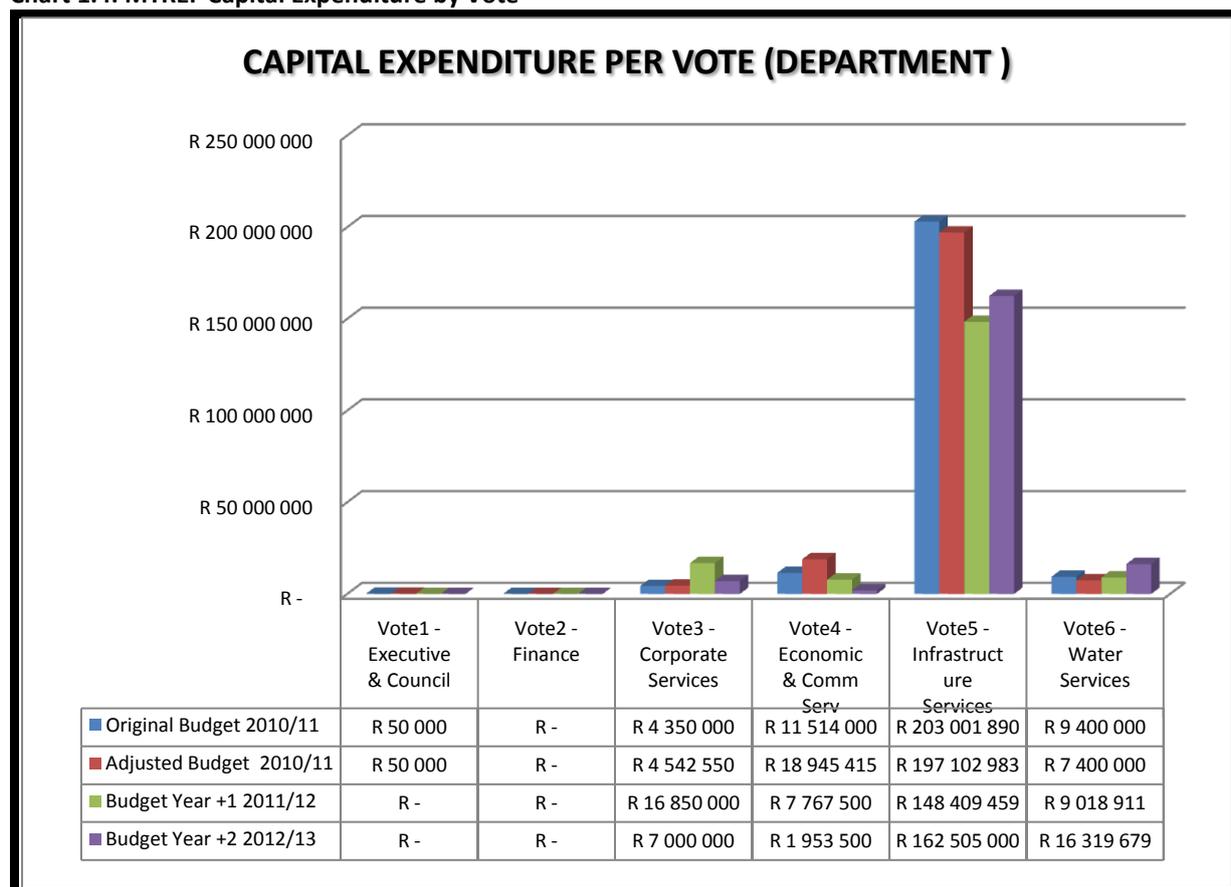
The chart above looks at the budget adjustments in the medium term revenue expenditure framework per Vote. The votes that have resulted in the biggest shift are Executive & Council and Planning & Development each with an increase of R20m and R10m respectively. Infrastructure Services and Water Services have each had an increase of R8m and R4m respectively. Finance and Corporate services have both a combined increase of R2, 4m.

# SISONKE DISTRICT MUNICIPALITY

## MTREF CAPITAL BUDGET ADJUSTMENTS

The section that follows looks at the shifts in the capital budget. The adjusted capital budget is R228m (Original budget: R228, 3m). This represents a slight downward shift of R300 000.

Chart 1.4: MTREF Capital Expenditure by Vote



The chart presented above show the capital expenditure budget broken down per Vote. Executive & Council and Finance have had no movements in the capital budgets while the upward movement in corporate services has been negligible.

The Economic & Community services department has seen the biggest increase of the capital budget adjustments with an increase of 65% mainly due to the roll over funding for the farmers market grant. Infrastructure department and water services departments have seen a decline of 3% and 21% respectively.

## 1.4 Adjustments budget Tables

The adjustments budget tables as attached in Annexure B consist of the following schedules relating to the adjustments budget;

- a) Table B1 - Adjustments Budget Summary
- b) Table B2 – Adjustments Budget Financial Performance (Standard Classification)
- c) Table B3 – Adjustments Budget Financial Performance (Expenditure by Municipal Vote)
- d) Table B4 - Adjustments Budget Financial Performance (Revenue & Expenditure)
- e) Table B5 – Adjustments Capital Expenditure Budget by vote and funding
- f) Table B6 – Adjustments Budget Financial Position
- g) Table B7 - Adjustments Budget Cash Flows
- h) Table B8 – Cash Backed Accumulated reserves/accumulated surplus reconciliation
- i) Table B9 – Asset Management
- j) Able B10 – Basic Service Delivery Measurement

## 1.5 Municipal Entity Adjustments

The municipality does not have any Municipal Entities.

## 1.6 Supporting Information and Charts

The charts that follow below give a summary of the movements in the form of a comparison between the original and the adjustments budget expenditures.

Chart 2: Original vs. Adjusted Capital Budget per Vote

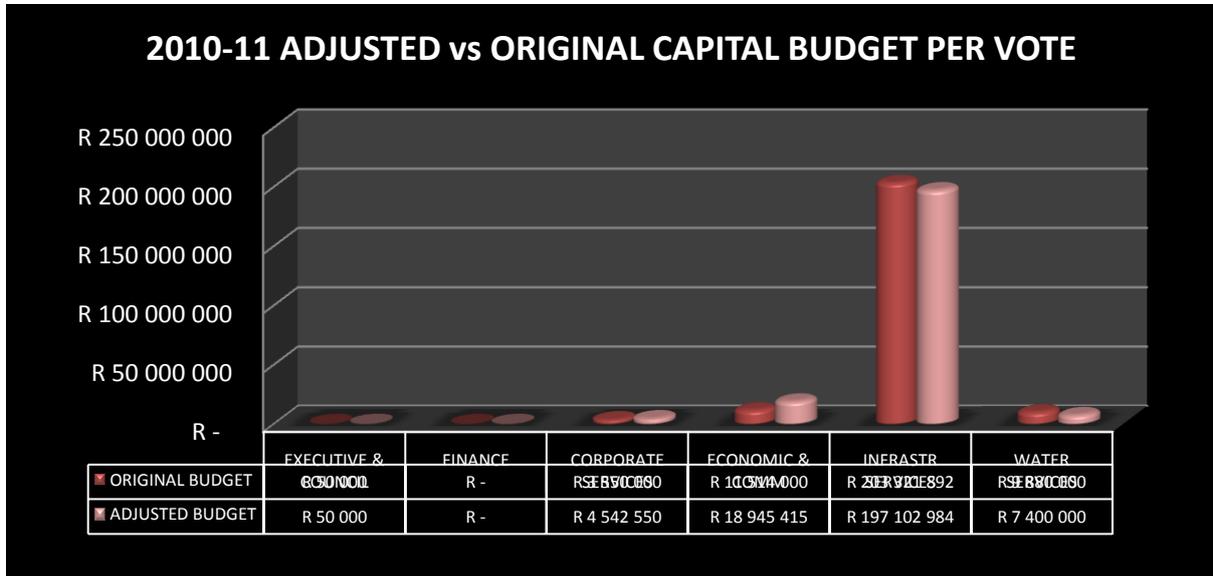
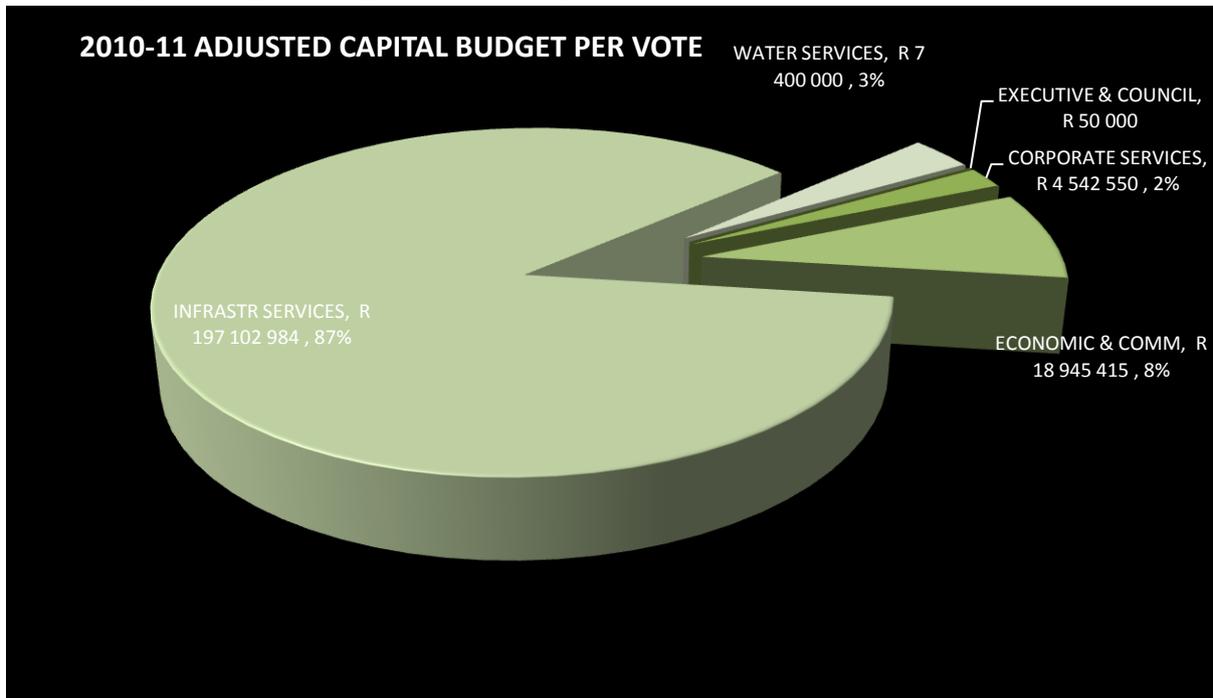


Chart 2 above gives a visual comparison between the originally approved and the adjusted capital budget, while chart 3 below illustrates the breakdown of the adjusted capital budget between the respective votes.

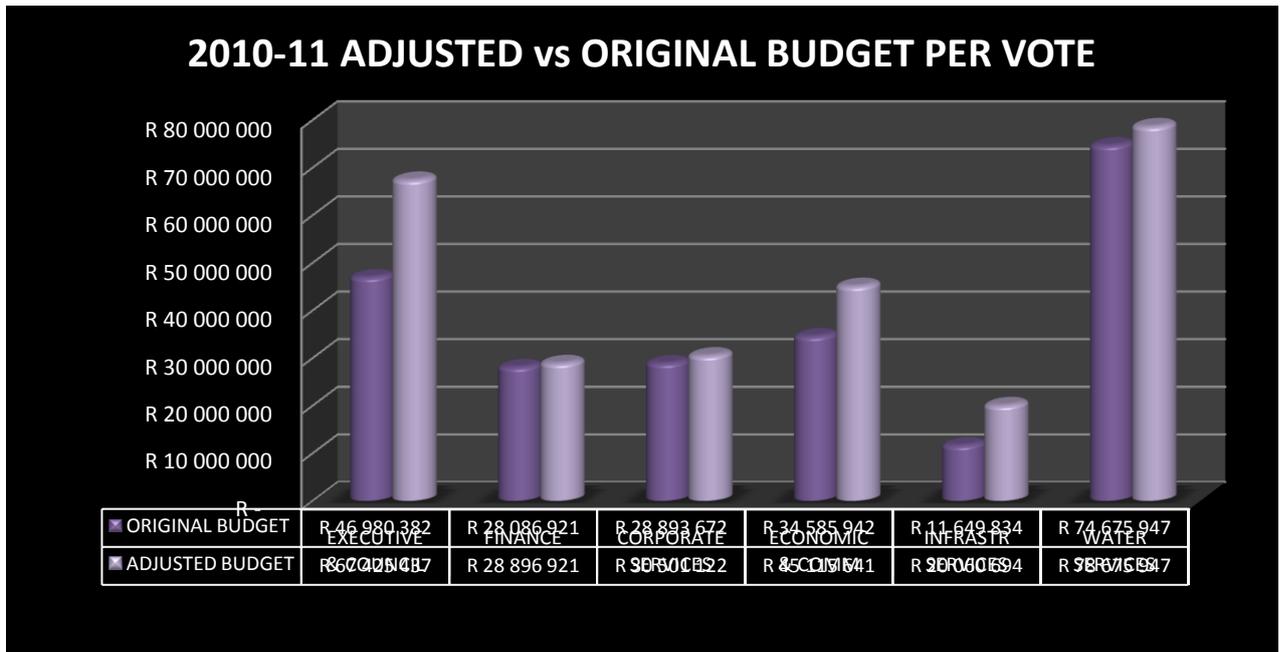
Chart 3: Adjusted Capital Budget Distribution per Vote



# SISONKE DISTRICT MUNICIPALITY

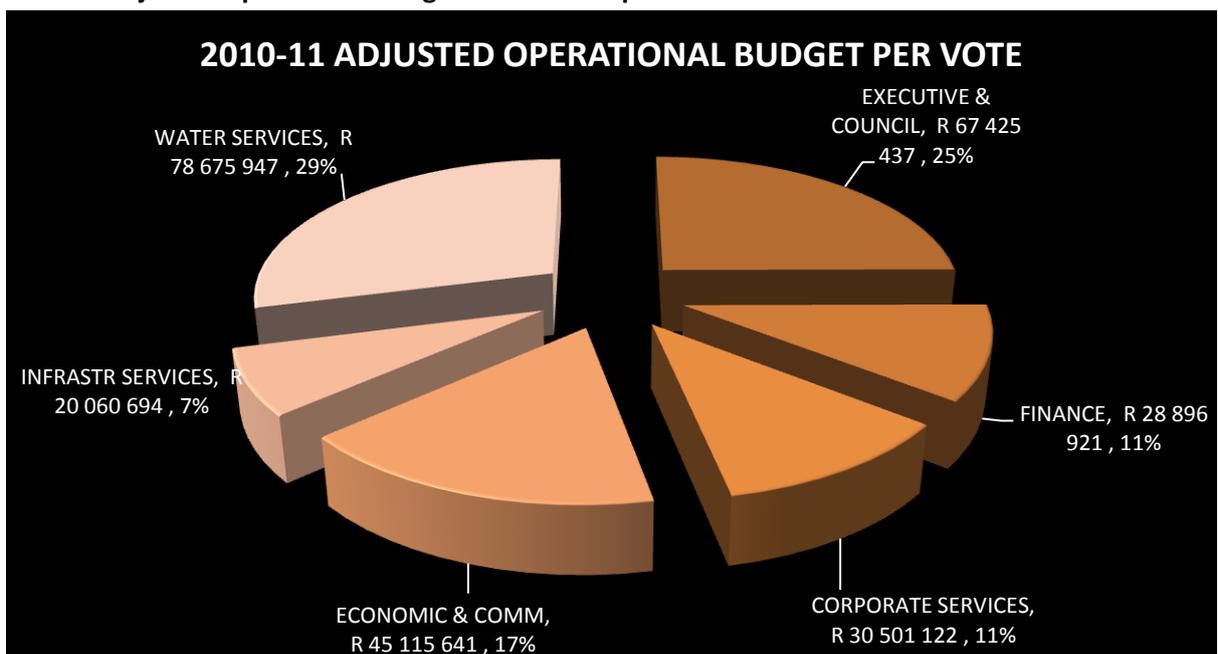
Chart 4 below gives a comparison between the originally approved and the adjusted operational budget. As mentioned above, the major movements have occurred in the Executive & Council, Economic & Community Services and Infrastructure Services.

**Chart 4: Adjusted vs. Original Operational Budget Distribution per Vote**



Charts 5 below gives a breakdown of the operational budget per vote

**Chart 5: Adjusted Operational Budget Distribution per Vote**



## **2. PART 2- SUPPORTING DOCUMENTATION**

### **2.1 Adjustments to budget assumptions**

The following adjustments to the original budget assumptions are worth noting.

**Table 2: Adjustments Budget Assumptions**

	<b>ORIGINAL BUDGET</b>	<b>ADJUSTED BUDGET</b>
<b>Percentage Salary Increases</b>	7,7%	8,48%
<b>S57 Managers</b>	7,7%	8,2%
<b>Effective date of the Dis-establishment of the DMA from the Sisonke District Municipality</b>	2012/13 Financial Year	2011/12 Financial Year

The change in the above stated variables has been incorporated in the adjustments budget accordingly.

### **2.2 Adjustments to Budget Funding**

The section that follows takes a look the changes that the adjustments budget has had on the funding arrangements of the municipal budget.

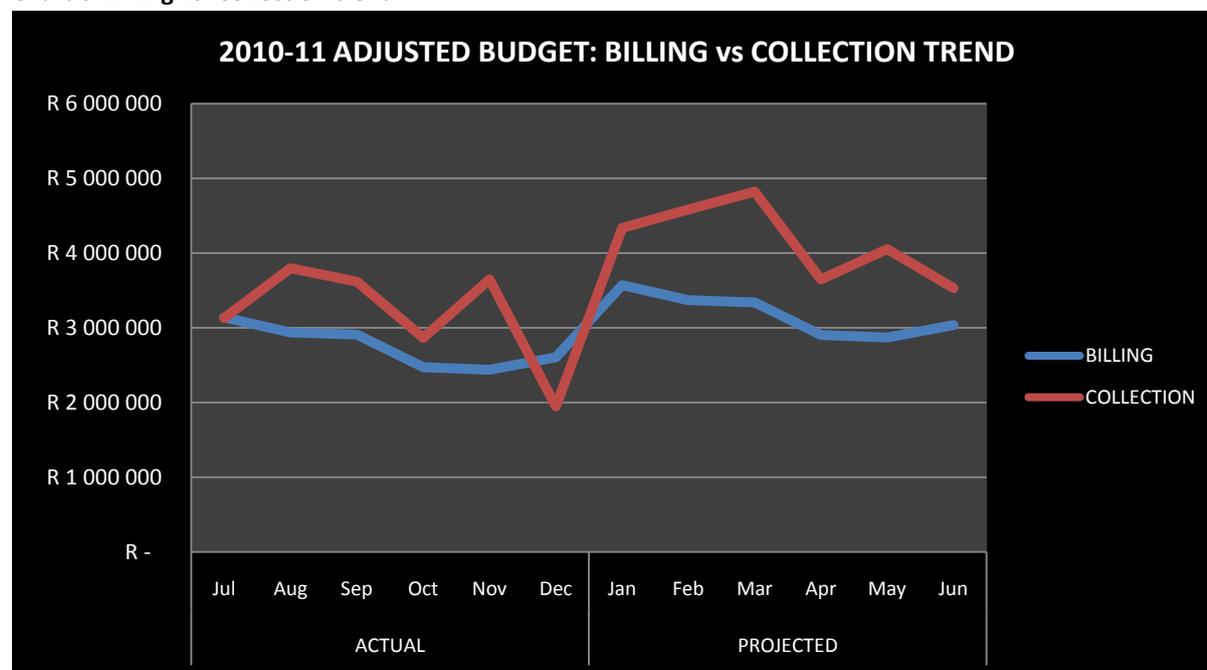
**Table 3: Adjustments Budget Assumptions**

	<b>OPERATING</b>	<b>CAPITAL</b>
<b>SERVICE CHARGES</b>	R 35 582 216	R -
<b>RATES</b>	R 187 761	R -
<b>PROV</b>	R 9 578 055	R 66 142 689
<b>OTHER OWN</b>	R 52 998 011	R 13 743 220
<b>NAT</b>	R 163 329 719	R 118 955 040
<b>LOAN</b>	R -	R 29 200 000
<b>INTEREST</b>	R 9 000 000	R -
	<b>R 270 675 762</b>	<b>R 228 040 949</b>

## SISONKE DISTRICT MUNICIPALITY

In terms of the collection levels, the municipality has seen a tremendous improvement in its water and sanitation collection levels as a result of Revenue Enhancement strategy implemented. The graph below presents a comparison of the billed versus actual revenue collected in the first half of the financial year as well as the projections for the remainder of the year.

**Chart 6: Billing vs. Collection trend**



The municipality has not affected any changes to the following;

- Adjustments to the monetary investments
- Adjustments to the contributions and donations in cash or in-kind
- Adjustments related to the proceeds from sale of fixed assets
- Adjustments related to the proceeds from the lease of assets, where the lease period is three years or more
- Adjustments related to the planned use of previous years' cash backed accumulated surplus.

## SISONKE DISTRICT MUNICIPALITY

---

The following adjustments, tabled below, in the funding arrangements are worth noting.

**Table 4: Adjustments Budget Funding**

	<b>ORIGINAL BUDGET</b>	<b>ADJUSTMENTS BUDGET</b>
<b>BORROWING</b>		
<b>Loan Funding</b>	R30 800 000	R29 200 000
<b>GRANT FUNDING</b>		
<b>National Government</b>		
<b>Operating</b>	<b>R 159 351 000</b>	<b>R 163 329 719</b>
<b>Capital</b>	<b>R 113 585 000</b>	<b>R 118 955 039</b>
<b>Provincial Government</b>		
<b>Operating</b>	<b>R 7 833 000</b>	<b>R 9 578 055</b>
<b>Capital</b>	<b>R 41 913 032</b>	<b>R 66 142 689</b>

### **2.3 Adjustments to expenditure on allocation and grant programmes**

The planned expenditure on grant funded programmes remains as planned. Except for capital grants that have been rolled over from the previous financial year, no other major capital expenditure adjustments exist.

An important point worth mentioning has been the rather slow start of the expenditure pattern in the grant funded capital projects during the first half of the financial year. However, the bottlenecks hindering accelerated delivery were identified and a revised implantation plan concluded.

## **2.4 Adjustments to allocations and grants made by the Municipality**

The municipality has not made any adjustments relating to allocation and grants to other municipalities or qualifying groups.

## **2.5 Adjustments to Councillor Allowances and employee benefits**

There has been no adjustment to councillor allowances as their allowance increase as determined by the Minister, of Cooperative Governance and Traditional Affairs, was satisfactorily catered for.

However a downward adjustment has been made to the staff budget as a result of unanticipated delays in the filling in of the new posts budgeted for. This “saving” was allocated to other spending programmes with a view to accelerating service delivery on these.

Reference to supporting schedule SB11 can be made for a detailed movement on the staff salaries.

## **2.6 Adjustments to Service Delivery and Budget Implementation Plan**

The 2010-11 adjustments budget has not resulted in vast changes in the Service Delivery and Budget Implementation Plan particularly in the provision of basic services to the community. The changes that have been effected have been captured in Supporting Schedule SB3.

## **2.7 Adjustments to capital expenditure**

There has been a negligible change of the adjusted capital expenditure in the adjustments budget, a mere slight downward movement of 0.12% to be exact.

The list of programmes and projects affected by the adjustments budget are listed in the table below.

# SISONKE DISTRICT MUNICIPALITY

---

**Table 5: Adjustments budget Programs/Projects**

	ORIGINAL BUDGET	ADJUSTED BUDGET
Construction of Disaster mgt centre	R4 814	R5 500
Implementation of VIP Sanitation Projects	R38 855	R37 726
Implementation of bulk waste water	R64 958	R63 071
Implementation of water projects	R98 179	R95 326
Provision of electricity to the existing water schemes	R1 010	R981
Diesel pump conversion into electricity	R3 000	R1 000

A reference is made to Annexure B – supporting table 18a for a detailed moved in the asset classes of the capital expenditures.

## 2.8 Other Supporting Documents

The information presented in this document has sufficiently taken the due consideration of the MFMA and all the information pertaining to the adjustments budget.

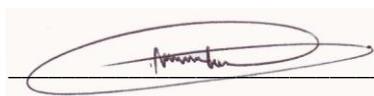
## 2.9 Municipal Manager's quality certification

I **Nhlanhla Maxwell Mabaso**, Municipal Manager of **Sisonke District 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 the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

**Name:** Nhlanhla Maxwell Mabaso

**Municipal Manager of:** Sisonke District Municipality (DC43)

**Signature:** \_\_\_\_\_



**Date:** 31 January 2011