



ADJUSTMENT BUDGET FOR UBUHLEBEZWE MUNICIPALITY

2016/2017 FINANCIAL YEAR

uBuhlebezwe Municipality Adjusted Budget for 2016 / 2017

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MAYOR'S REPORT

Madame Speaker, Executive Committee Members, Councillors, Amakhosi , Management and every one present; good day.

On the 24nd of January we assembled at this council chamber as we were tabling the municipality's mid-term budget review. From the report it was agreed by this council that the budgets for the current year will be adjusted in order to adjust expenditures and revenues

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources which are scarce. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

We have also noted with concern a huge decrease on our revenue collection primarily on rates. We are aware that rates are statutory revenues and therefore no one is exempt except according to legislation. Our property rate has been reduced by R 4 8 million due to low level collection, We commit ourselves as leadership and management to ensure improvement on revenue collection.

LEGISLATIVE BACKGROUND

Section 28 of the Municipal Finance Management Act, 2003 (MFMA) allows a municipality to revise it approved Annual budget through an adjustment budget.

An adjustment Budget-

1. Must adjust the revenue and expenditure estimates downwards if there is a material under- collection of revenues during the current year;

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2. 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 budget for;
 3. My, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality
 4. May authorise the utilisation of projected savings in one vote towards spending under another vote,
 5. May authorise the spending of funds that were that were un spend at the end of the past financial year where the under spending could not reasonably have been fore seen at the time to include projected roll – overs where the annual budget for the current year was approved by the council
 6. May correct any errors in the annual budget.
- a) Only the mayor may table an adjustments budget in the municipal council, when an adjustments budget is so tabled it must be accompanied by-
1. An explanation of how the adjustment budget affects the annual budget
 2. A motivation of any material changes to the annual budget
 3. Any other supporting documentation that be prescribed.

EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipal’s financial plan is essential and critical to ensure that the municipality remains financial viable and that municipal services are proved sustainably, economically and equitable to all communities.

The adjustment budget is based on the cash flow turnaround strategy where implementation of effective financial management is crucial; appropriation funds were transferred from low-to high – priority programmes so as maintain sound financial stewardship.

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The main challenge experienced during the compilation of 2016 -2017 Adjustment budget can be summarised as follows

- We have also noted with concern a huge decrease on our revenue collection primarily on rates. We are aware that rates are statutory revenues and therefore no one is exempt except according to legislation. We commit ourselves as leadership and management to ensure improvement on revenue collection. Due to the low collection of rate, the rate has been adjusted downwards.

Main Priorities

Our priorities are derived from the national priorities and closely streamlined to our community needs which are identified as part of the IDP process and directly reflect the municipality's efforts to address backlogs and basic services delivery needs of our communities.

The municipality's investment priorities in the form of capital projects collated from the relevant sectorial departments. The municipality's broader strategic and financial planning objectives provide an indication of:

- The extent infrastructural projects to be implemented;
- The CAPEX budget required for these infrastructural projects;
- The availability of finance for this capital expenditure (capex);
- The operational expenditure (opex) budget required for the operation and maintenance of the infrastructure to be provided; and
- The available revenue options in terms grants and borrowing within the provisions of the municipal fiscal framework.

MUNICIPAL ENTITIES / EXTERNAL MECHANISMS

- The Municipality does not make use of any entities or external mechanisms for services delivery within the municipal area.

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FINANCIAL AND SERVICE DELIVERY IMPLICATIONS

- The municipality has an approved five year plan, which is the Integrated Development Plan. This plan is then aligned to the budget, which is then aligned to the Service Delivery and Budget Implementation Plan.
- The adjustments budget document has been prepared according to the Municipal Budget and Reporting Regulations as prescribed by National Treasury ; B-Schedules.
- The 2016/2017 adjusted budget serves as a tool to increase service delivery and to upgrade the infrastructure within the municipal area.

EFFECT OF THE ADJUSTMENTS BUDGET ON SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN, SERVICE DELIVERY AGREEMENTS AND MEDIUM TERM EXPENDITURE FRAMEWORK

- The adjustments on the original budget will be cascaded down to the Service Delivery and Budget Implementation Plan
- Targets from the Service Delivery Adjusted will be adjusted to accommodate the new projects and adjust revenue and expenditure targets according to the adjusted figures.
- Time frames for the performance agreements will be adjusted to be in line with the Service Delivery and Budget Implementation Plan.

RESOLUTION

ADJUSTMENT BUDGET RESOLUTIONS

Section 28(1) of the Municipal Finance management Act no 56 of 2003 (MFMA) requires that a municipality may revise an approved annual budget through an adjustment budget. The Municipal Budget and Reporting Regulations states that an adjustments budget may be tabled in municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year

The following resolutions were tabled by the Accounting Officer before the Mayor and Council for adoption and approval on the 18 February 2016.

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a. That:-

The Adjustment budget may be approved as set out in the tables:

- Table B1 – Adjustment Budget Summary
- Table B2 – Adjustment Budget Financial Performance
- Table B2B – Adjustment Budget Financial Performance
- Table B3 – Adjustment Budget Performance (Revenue and Expenditure)
- Table B3B – Adjustment Budget Financial Performance (Revenue and Expenditure)
- Table B4 – Adjustment Budget Financial Performance
- Table – B5 Adjustment Capital
- Table – B5B Adjustment Capital Expenditure
- Table B6 – Budgeted Financial Position
- Table B7 – Budgeted Cash flow
- Table B8 – Cash Reserves – Accumulated Surplus
- Table B9 – Assets Management
- Table B10 – Basic Delivery Measurement
- Supporting Documents

SB (1-20)

ADJUSTMENTS BUDGET ASSUMPTIONS

The 2016/2017 adjustments budget was prepared in accordance with guidelines and assumptions as outlined in Municipal Budget and Reporting Regulations, taking into consideration the following aspects:

- National budget assumptions, guidelines and projections;
- Alignment with national and provincial priorities;
- Headline inflation and gross domestic products forecasts; and
- Revenue assumptions with regard to grants allocation in terms of revised DORA.

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- Anticipated own revenue from rates and services charges, sundry charges and other revenues and affordability of ratepayers and consumers services;
- The ability of municipality to collect revenue (payment level);
- Operating expenditure cost drivers and growth thereof;
- Capital budget funding model;
- Provincial Gazette, reflection provincial allocations.
- Protecting the poor by ensuring access to basic services.

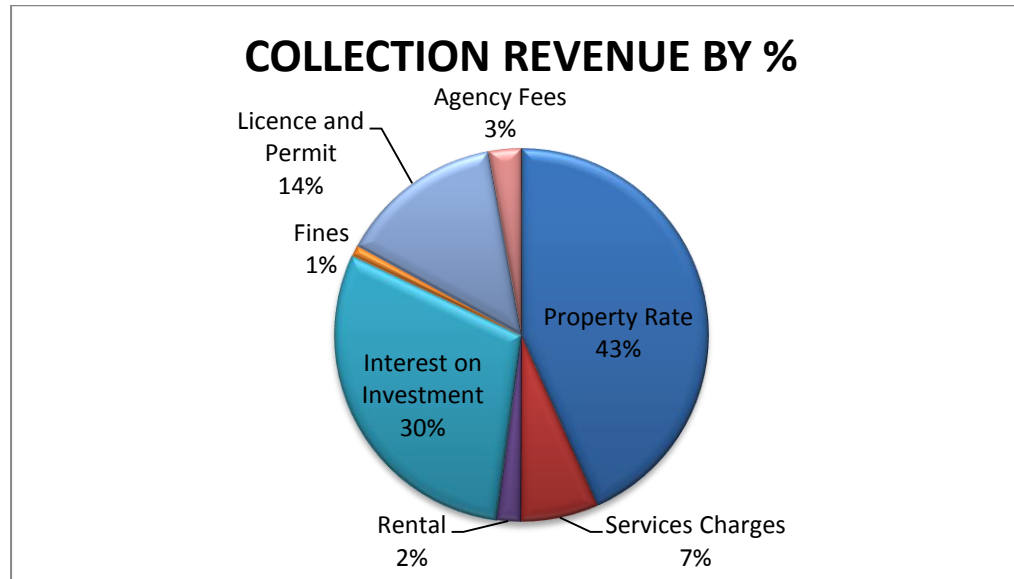
ADJUSTMENTS TO BUDGET FUNDING

Description	Original Budget 2016-2017	Adjustment Budget 2016-2017
Property Rate	R15 753 821	R10 897 822
Services Charges	R 1 990 710	R 1 690 710
Rental	R 500 000	R 524 000
Interest on Investment	R4 000 000	R 7 500 000
Fines	R 250 000	R 250 000
Licence and Permit	R3 560 000	R 3 560 000
Agency Fees	R 720 000	R 720 000

The major income by source is property rate and has been significantly reduced by R4 8 million due to low level of collection. Interest on investments were increased by 30% which impacted on the original approved budget from R 4000 000 to R 7 500 000,

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this is a result of the performance of the municipality as the 31 December 2016 from external investments, whereas licence and permit were increased by 14%.



	Original Budget 2016-2017	Adjustment Budget 2016-2017
Operating Revenue Including Capital Grant	R 180 371 673	R 183 383 251
Total Operating Expenditure	R 134 696 400	R 130 414 576.00
Surplus / (Deficit) before capital Contribution	R 45 675 273	R 52 968 721.00
Total Capital Expenditure	R 65 912 348	R 70 745 017.4

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ADJUSTMENTS TO ALLOCATIONS AND GRANTS

Grant	Original Budget 2016-2017	New Allocation (Grant Received)	Adjusted Budget 2016-2017
Equitable Share	R 90 491 000	Nil	R 90 491 000
FMG	R 1 825 000	Nil	R 1 825 000
EPWP	R 1 985 000	Nil	R 1 985 000
Library Grant	R 559 000	Nil	R 559 000
Library Cyber	R 179 000	Nil	R 179 000
MIG	R 24 057 000	Nil	R 24 057 000
Electrification from DOE	R 30 000 000	Nil	R 30 000 000

The major contribution to the Revenue by source is grants, equitable share is sitting at 60%, FMG is 1%, EPWP is 1%, Library Grant is 1%, Library Cyber 1%, MIG is 16%, Electrification from DOE 20%. This is an indication that the municipality is highly dependent on grants. The contributing factor is that most of the Municipal Wards are rural, the Municipality is not generating any revenue from rural based wards.

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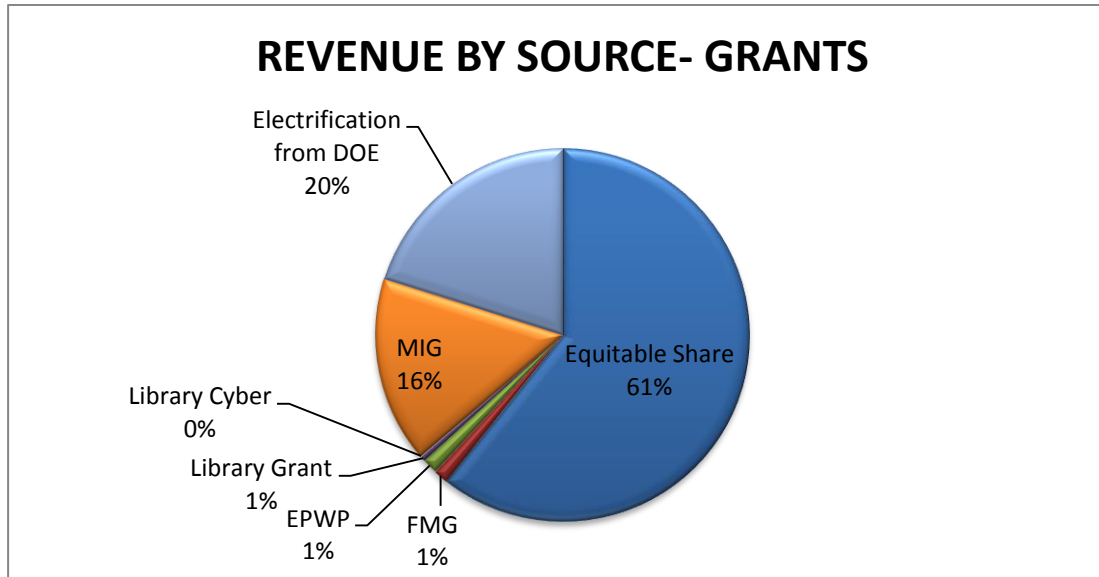


Chart 1 – Revenue by Source – Grants

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ADJUSTMENTS TO OPERATIONAL EXPENDITURE

Description	Original Budget 2016-2017	Adjustment Budget 2016-2017
Employee related cost	R 60 566 435	R56 496 038
Remuneration of Councillors	R 9 854 976	R 9 854 976
Debts of Impairment	R 1 900 000	R 1 900 000.00
Depreciation	R19 000 000	R19 000 000.00
Repairs and Maintenance	R 2 993 650	R 3 348 591.00
Contracted Services	R 6 484 000	R 6 286 459.00
Other Expenditure	R 29 462 339	R 29 593 465.00

Salaries and Allowances (Adjustments to Councillor Allowances and employee benefits)

The employee costs have been reduced by 4 060 million, the main reason is that SD Director resign last year, the post is still vacant as well as Remuneration of Councillors when compared to the approved budget because we believe that the original budget will be sufficient to cover the upper limits for Council Remuneration Salary that will be Gazetted by SALGA.

Repairs and Maintenance

Repairs and Maintenance was adjusted upwards by R 354 941 compared to the original budget. The contributing factor to this is that some departments had savings and some departments had no savings at all.

Depreciation

There were no changes in the Depreciation amount. Analysis was made based on previous depreciation amounts charged.

Contracted Service

Contracted services were adjusted upwards to cover the implementation of SCOA and Consultation Fees.

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Other Expenditure

Other Expenditure was adjusted upwards by R131 126 which is a minor amount when compared to the original budget. The contributing factor to this is fuel and oil and other programs, staff training and travelling and legal fees.

ADJUSTMENTS TO CAPITAL EXPENDITURE

There were no major adjustments to the Capital Expenditure budget. One significant change was made on Ixopo bus rank in relation to the upward increase in the bus rank award. Minor changes were made in relation to the retention portion for projects.

ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

There were no major adjustments to the Service Delivery and Budget Implementation Plan.