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**ADJUSTMENT BUDGET FOR UBUHLEBEZWE MUNICIPALITY**

**2018/2019 FINANCIAL YEAR**

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**MAYOR’S REPORT**

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

On the 24th 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.

**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;
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.
7. Only the mayor may table an adjustments budget in the municipal council, when an adjustments budget is so tabled it must be accompanied by-
8. An explanation of how the adjustment budget affects the annual budget
9. A motivation of any material changes to the annual budget
10. 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.

**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 of grants and borrowing within the provisions of the municipal fiscal framework.
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**MUNICIPAL ENTITIES / EXTERNAL MECHANISMS**

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

**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(Vision 6.2).

**EFFECT OF THE ADJUSTMENTS BUDGET ON SERVICE DELIVERY AND BUDGET IMPLIMENTATION 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 21st February 2019.

1. **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 2018/2019 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.
* 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 REVENUE AND EXPENDITURE**



**Revenue**

|  |  |  |
| --- | --- | --- |
| **Description** | **Original Budget 2018-2019** | **Adjustment Budget 2018-2019** |
| Property Rate | R 36 002 000 | R 21 927 000 |
| Services Charges | R 2 090 000 | R 2 000 000 |
| Rental | R 1 000 000 | R 1 000 000 |
| Interest on Investment | R 10 000 000  | R 14 000 000 |
| Fines Issued | R 200 000 | R 1 000 000 |
| Transfers and Subsidies - Operational | R 122 380 000 | R 145 281 000 |
| Transfers and Subsidies – Capital | R 26 439 000 | R 31 439 000 |
| Licence and Permit | R 3 679 000 | R 2 679 000 |
| Agency Fees | R 815 000 | R 745 000 |
| Other Revenue  | R 1 306 000 | R 1 392 000 |

* Budget for **Property rates** billed has been reduced with R 14 075 million this is based on first six months and on the calculations which has been done which exclude wards which are in a rural Areas.
* **Service charges** billing budgeted has been reduced by R 90 000.00, based on billed raised for the first six months.
* No Adjustments has been done on **Rentals**.
* **Interest Income** generated from investments has been adjusted upward with R4 million this adjustment is based on interest generated for the first six months.

* **Fines issued** has been increased due that when we’re budgeting we based the municipal budget on collection instead of fines issued, in order to correct this we recalculated the budget based on fines issued for the first six months. This item has been adjusted by R800 000.00.
* **Transfers and Subsidies-** Operational, significant changes to this source of revenue is based on the following
1. The municipality has received a confirmation of that within this financial year we will receive funds from department of Human Settlement. This funding will be used for Gudlucingo housing project, Mfulomubi housing project, Hlokozi housing project, Ibhobhobho housing project, Community residential unit, Ithubalethu housing projects and Ofafa housing project. The total amount expected to be received for the above mentioned housing projects is R21 315 million for 2018/19 budget.
2. Based on the adjusted provincial gazette we have adjusted down wards provincial library grant adjusted downward with R 556 000. The main reason for decrease in this library grant was due to a library that was lost by the municipality.
3. At the beginning of the financial year 2018/19 we received a notification of that we will received Spatial Development Grant of R 1 000 million. But during the adjusted Gazette we received a notification of that we will not receive this fund.
* **Transfers and subsidies** – Capital, has been adjusted upward with R 5 million. This is due to the changes in the provincial gazette, the municipality will receive R 2 million Small Town Rehabilitation Grant which will be used for GYM park, and Disaster Management Grant of R 3 million which is expected to be received this financial year.
* **Other revenue** the adjustment that was done is to increase tender documents income.

|  |  |  |
| --- | --- | --- |
| **Description** | **Original Budget 2018-2019** | **Adjustment Budget 2018-2019** |
| Employee related cost | R 68 427 000 | R67 856 000 |
| Remuneration of Councillors | R 9 862 000 | R 10 359 000 |
| Debts of Impairment | R 1 578 000 | R 1 578 000 |
| Depreciation | R 20 000 000 | R 20 000 000 |
| Other Materials | R 756 000 | R 775 000 |
| Contracted Services | R 21 048 000 | R 21 017 000 |
| Transfers and Subsidies  | R 20 152 000 | R 37 046 000 |
| Other Expenditure | R 24 150 000 | R 24 535 000 |

**Expenditure**

* **Employee Related Cost** has been adjusted down wards with R570 000, this is due to that accommodation vote for some of the departments which was classified as accommodation for employee related cost. We have corrected this by creating new line items under general expenses to move this amount from employee related cost.
* **The Remuneration for Councillors** budget has increased with R 496 000.00, this is due to upper limits for remunerating the councillors and back pays which must be compensated to councillors.
* **Transfers and Subsidies** this expenditure has increased due to new housing projects that have been added to the budget.
* **Other Expenditure** has increased with R 385 000.00 this is due to that municipality has moved some of the Accommodation line items which was incorrectly classified under employee related cost.

**CAPITAL EXPENDITURE**



**Capital Expenditure by Functions**

* No change has been done on **Executive and Council** capital budget.
* Under **finance and administration** a major adjustment was done, which was removing R 3 800 000 of upgrading financial system. This will be budgeted for during 2019/2010 budget. Also some of the items which were budgeted under capital items were moved to operational budget due to their nature.
* **Community and social services** has been reduced with R 1 673 million, which is made up of Nkweletsheni hall adjusted downwards with R 1 298 million, Mazabeko hall has been adjusted downwards with R 690 000, Jeffrey Zungu adjusted downwards with R 352 000 and Shiyabanye hall with a budget of R620 000 was budgeted under operational budget which is repairs and maintenance, This budget has been moved from operational budget to capital budget.
* **Sport and Recreation** has been adjusted upwards with R 2 million which is a GYM Park expected to be built within this financial year. This expenditure is funded by Small Town Rehabilitation Grant.
* **Public Safety** budget has increase with R 3 million this budget will be used to build fire station of the municipality. This expenditure will be funded with Disaster Management Grant.
* **Planning and Development** this category budget has been reduced with R 11,176 million, this is due to decrease in budget for Revamping municipal building with R 8,773 million and Municipal Lift with 2,400 million. This expenditure has been reduced due to that there was a delay in revamping municipal building due to some reasons, this project will continue in the next financial year.
* **Road Transport** budget has increased with R 5,509 million, this is due to increase in lower valley view road budget with R 3,023 million and Fairview road with R 3,476 million and other road line item budget has decrease.

**Income and Expenditure Summary**

|  |  |  |
| --- | --- | --- |
|  | **Original Budget 2017-2018** | **Adjustment Budget 2017-2018** |
| Operating Revenue Including Capital Grant | R 203 912 000 | R 221 463 000 |
| Total Operating Expenditure | R 165 948 000 | R 183 166 000 |
| Surplus / (Deficit) before capital Expenditure | R 37 964 000 | R 38 297 000 |
| Total Capital Expenditure | R 67 261 000 | R 60 899 000 |
|  |  |  |

**ADJUSTMENTS TO ALLOCATIONS AND GRANTS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Grant** | **Original Budget 2018-2019** | **Adjustments 2018-2019** | **Adjusted Budget 2018-2019** |
| Equitable Share | R 99,319,000 | Nil | R 99,319,000 |
| FMG | R 1,970,000 | Nil | R 1,970,000 |
| EPWP | R 1,590,000 | Nil | R 1,590,000. |
| PROVINCIALISATION LIBRARY GRANTS CYB | R 838,000 | Nil | R 838,000 |
| COMMUNITY LIBRARY SERVICES GRANT | R 753,000 | -R556,000 | R 197,000 |
| MIG | R 26,439,000 | Nil | R 26,439,000 |
| Electrification from DOE | R 16,000,000 | Nil  | R 16,000,000 |
| Maintenance Grants-Sports  | R 58,000 | -R8,000 | R 50,000 |
| Spatial Development Grant | R 1,000,000 | -R1,000,000 | R0 |
| Disaster Management Gra |  | R 3,000,000 | R 3,000,000 |
| Small Town Rehabilitation G  |  | R 2,000,000 | R 2,000,000 |



On Grants expected to be received only five changes has happened during the adjustment budget.

* Library Grant has decrease with R 556,000.
* Sport field maintenance grant has decrease with R 8,000.
* Spatial development grant of R 1,000,000 which was expected to be received during 2018/19 financial year has been removed from government gazette.
* Disaster management grant of R 3,000,000 has been received as per adjusted government gazette. This grant will be used to build fire station.
* Small town rehabilitation grant of R 2,000,000 has been received which will be used to build GYM park.

* Other grants there was no changes as per government gazette.

**ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLIMENTATION PLAN**

There were no major adjustments to the Service Delivery and Budget Implementation Plan. But the adjustment which has been done in service delivery and budget implementation plan are based on the explanations that have been mentioned above.