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## **PART 1 – ADJUSTMENTS BUDGET**

### **1. Executive Mayors' Report**

#### **Introduction**

The municipality at its Council sitting on the 30 January 2012, 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 R 59,058 million.
- (b) To provide for the allocation of unspent grant and new grant funding as received to date amounting to R 67,092 million.
- (c) To make shifting of funds within the capital expenditure programme for maximum impact, as well as likely not to be completed, to the next budget year (R 77,88 million).
- (d) To adjust revenue down by R 10,98 million from the revenue sources that are likely not to materialise.

#### **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.

### **2. Resolutions**

**2.1** That in terms of Section 28 of the MFMA, 56 of 2003 , the annual budget (as approved on the 26 June 2011) of the municipality's Operating Revenue be increased by R 32,498 million to R 4 470,948 million, Operating Expenditure be increased by R 59,059 million to R 3 750,588 million and Capital Expenditure Budget be reduced by R 9,101 million to R 815,046 million, be approved/adopted for the 2011/12 financial year as set out in the following tables (See Annexure A):

- (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.

**2.2** That the financial position, cash flow, cash backed reserve/accumulated surplus, asset management be adopted as set-out in the following tables:

- (a) Table B6 - Consolidated Adjustments Budget Financial Position
- (b) Table B7 - Consolidated Adjustments Budget Cash Flows
- (c) Table B8 - Consolidated Cash Backed Reserves/Accumulated Surplus Reconciliation
- (d) Table B9 - Consolidated Asset Management
- (e) Table B10 - Consolidated Basic Service Delivery Measurement.

**2.3** That the Council of Mangaung Metropolitan Municipality resolves to waive the need for an adjustment budget in respect of reallocation of the vacancies, which have been pooled together as unforeseen salaries and the reallocation of the depreciation provision

## PART 2 – SUPPORTING DOCUMENTATION

### 1. Adjustments to Budget Assumptions

No adjustments has been made to the budget assumption as presented in the annual budget.

### 2. Adjustment to the Budget Funding

#### 2.1 The need for an Adjustment Budget

The current operating and capital expenditure budgets need to be adjusted in order to allow for additional grants subsidies and donations received or to be received to included in the budgets.

#### 2.2 Operating Revenue

(a) To appropriate additional grants, subsidies and donations received or to be received to be included in the budget:

	<b>R</b>
Motheo District Council & Transitional Income *(1)	11 500 000
National Electrification Grant	8 000 000
Donation – Wesbank for mayoral events	87 719
DME Grants (Transfer to Entity)	7 017 544
Urban Settlements Development Grant *(2)	6 000 000
	<b>32 605 263</b>

\*(1) Once-off allocation as part of the winding down of the Motheo District Council's activities.

\*(2) USDG – Reallocation/Transfer of funds from savings made on the capital expenditure budget to fund the operational expenditure budget for the work on the detailed concept design of the two N8 Corridor Nodes.

(b) To appropriate all forms of grants, donations and subsidies those were unspent at the end of the previous financial year(2010/11) (Roll-overs):

	<b>R (‘000)</b>
Housing Accreditation Subsidy	3 635
World Cup Grant - Province	910
Motheo District Municipality	-1 383
City of Ghent – MMM Multi-Year Programme	166
Motheo District Municipality	7 528
World Cup Stadium Grant Province	5 000
Operation Hlasela: Sewing Project	100
Urban Renewal Grant	281
Financial Management Grant	13
Kellogg's Foundation	249
Operation Hlasela: 5 Car Wash Projects	150
City of Ghent MMM Multi-Year Programme	440
Provincial Grant Township Establishment	147
Provincial Grant Police, Public Safety, Roads and Transport	555
Provincial Grant Hlasela Roads Project	3 423
Municipal Infrastructure Grant	11 992
Motheo Grant Upgrading of roads	1 259
Provincial Grant Planning and Surveying	493
Public transport Infrastructure & Systems Grant	8 322
<b>Total</b>	<b>43 280</b>

- (c) To make provision for the reduction in the Capital Grants and Subsidies:
- (i) Expanded Public Works Program Incentive Grants – R 8,57 million.
    - Mainly due to the municipality's inability to access the conditional grant due to the lack of capacity to meet its strict conditions.
  - (ii) Urban Settlement Development Grant – R 22,775 million.
    - Mainly to roll-over the portion of the budgeted project's amount for the 2011/12 financial year that is likely not to be spent in the current year to the next MTREF period (2012/13).
  - (iii) Motheo Environmental Grant
    - Mainly due to the delay in the appointment of a service provider for the capital project – R 1 million
- (d) To adjust the revenue downwards from the revenue sources that are likely not to be realised and there is already material under-collection thereon.

	<b>R</b>
Sale of Merchandise	500 000
Traffic Fines	2 090 000
Services to Centlec	(250 000)
Rent of Lapa	49 190
Sale of Animals	252 7002
	<b>2 641 890</b>

- (e) To make provision for the reduction of Interest on Investment that is not going to materialise due to a low level of investment balances – R 8,4 million.

### **2.3 Operating Expenditure Budget**

The Operating Expenditure Budget has been adjusted to accommodation expenses that were not foreseen, while compiling the budget for the 2011/12 financial year, additional grant income and strategic repositioning of municipal activities.

- (a) The major unforeseen expenditure budget items can be summarised as follows:

#### **General Expenditure**

The net increase in the general expenditure can be attributed to the following:

- (i) To make provision for the Branding of the municipality. The need was identified to brand and reposition the municipality in line with its newly acquired metropolitan municipality status. The expenditure was not foreseen at the time of compiling the budget for the 2011/12 financial year – R 15,96 million.
- (ii) To make provision for additional debt collection services that were not foreseen, while compiling the budget – R 2 million.
- (iii) To make provision for the appointment of consultants for Data Purification of the debtors book, as part of the revenue enhancement strategy – R 5 million.
- (iv) To make provision for additional valuation roll expenses that were not foreseen, while compiling the budget – R 2 million.
- (v) To make provision for the detailed concept design for the two N8 Corridor Nodes. The expenditure was not foreseen, while compiling the budget – R 6 million.
- (vi) To make provision for the reduction in the retrenchment packages budget, no longer deemed necessary – R 6 million.

- (vii) To make provision for additional funds for the marketing of Bloemfontein expenses that were not foreseen while compiling the budget – R 2 million.
- (viii) To make provision for new funding allocation for the space maximizing filling system that were not foreseen while compiling the budget – R 1,85 million.
- (ix) To make provision for the reduction in the performance management system's budget, to cover areas of great needs – R 4,5 million
- (x) To make provision for the reduction in the ward committees expenses, due to the late establishment of ward committees – R 4,5 million.
- (xi) To make provision for the additional funds for the hire of equipment expenses that were not foreseen while compiling the budget – R 1,2 million
- (xii) To make provision for the Housing Accreditation cost for key personnel that were not foreseen while compiling the budget – R 1,08 million

### **Contracted Services**

- (i) To make provision for the additional Vacuum Services for the Thaba Nchu and Botshabelo Regions, due to the under provision of the expenses while compiling the budget – R 6,9 million.
- (ii) To make provision for the addition door-to-door refuse collection for the Thaba Nchu and Botshabelo Regions, due to the under provision of expenses while compiling the budget – R 5,6 million
- (iii) To make provision for the additional maintenance of CCTV Cameras that were not foreseen while compiling the budget – R 2 million.
- (iv) To make provision for the additional forensic investigation expenses that were not foreseen while compiling the budget – R 4,5 million.
- (v) To make provision for additional financial support services that were not foreseen while compiling the budget – R 1.1 million.

### **Repair and Maintenance**

- (i) To make provision for additional Building and Structures Maintenance expenses that were not foreseen while compiling the budget – R 2 million.
- (ii) To make provision for the additional electricity cost for the municipal buildings due to the under provision of expense when the budget was being compiled – R 2 million.
- (iii) To make provision for the additional cleansing services that were not foreseen while compiling the budget – R 1,1 million.

### **Grants to Entity**

- (i) To make provision for the additional electrification grant to the entity, that was not foreseen while compiling the budget – R 7,017 million.

### **3. Adjustments to Expenditure on Allocations and Grant Programme**

See the following tables (See Annexure A):

Supporting Table SB7 - Consolidated Adjustments Budget – Transfers and Grants Receipt  
Supporting Table SB8 – Consolidated Adjustments Budget – Expenditure on Transfers and Grant Programme  
Supporting Table SB9 – Consolidated Adjustments Budget – Reconciliation of transfers, Grants receipt and Unspent Funds.

### **4. Adjustments to Allocation or Grants made by the Municipality (Annexure A)**

See Supporting Table SB10 - Consolidated Adjustments Budget – Transfers and Grants made by the Municipality

### **5. Adjustments to Councillors and Board Members Allowances and Employee Benefits (Annexure A)**

See Supporting Table SB11 – Consolidated Adjustments Budget – Councillor and Staff Benefits

### **6. Adjustments to Capital Expenditure**

A summary of adjustments to capital expenditure budget.

The capital expenditure budget is reduced by R 9,1 million to R 815,05 million, (a nett reduction of 1,1%). The main changes on the capital expenditure budget can be summarised as follows:

- (a) An appropriation of capital expenditure projects that were not completed at the end of the 2010/11 financial year (roll-overs), requiring to be completed in the new budget year. These are mainly roads and stormwater projects that are critical for service delivery – R 23,66 million.
- (b) To make provision for a reduction in the external loan linked projects. It is mainly as a result of the late issuing of the Environmental Impact Assessment report and related objections to the project for the North Eastern and Sterkwater Wastewater Treatment works – R 38,69 million.
- (c) To make provision for new capital funding for the Hoffman Square upgrading that were not foreseen while compiling the budget to be spent on professional and building contractors fees – R 10 million.
- (d) To make provision for new capital funding for the Cooling and Ripening Room equipment at the Fresh Produce Market – R 2 million.
- (e) To make provision for new capital funding for the Vertical Oblique Imaginary including Spatial Data Aerial Photography that were not foreseen while compiling the budget – R 6 million.
- (f) To make provision for the additional funding for the Intermodal – Heavy Rehabilitation for Hanger Street that was not foreseen while compiling the budget – R 6,36 million
- (g) To make provision for the additional funding for the Intermodal – Heavy Rehabilitation of St George's Street that was not foreseen while compiling the budget – R 1,84 million.
- (h) To make provision for unspent portion of the Municipal Infrastructure Grant that was not accrued/roll-over in the compilation of the 2011/12 budget – R 11,992 million.
- (i) To make provision for the additional INEP funding received during the year – R 8 million.
- (j) To make provision for the reduction on the Urban Settlements Development Grant's linked projects that are likely not to be completed at the end of the budget year (2011/12) – R 22,775 million.

- (k) To make provision for the reduction in the rehabilitation of own funded roads projects due to the cash flow constraints – R 7,664 million.
- (l) To make provision for the reduction of the External Public Works Program Incentive Grant Linked project due to the municipality's inability to access the grant funding – R 8,750 million

## 7. Other Supporting Tables (Annexure A)

Supporting Table SB12 – Consolidated Adjustments Budget – Monthly Revenue & Expenditure (Municipal Vote)

Supporting Table SB13 – Consolidated Adjustments Budget – Monthly Revenue & Expenditure (Standard Classification)

Supporting Table SB14 – Consolidated Adjustments Budget – Monthly Revenue & Expenditure

Supporting Table SB15 – Consolidated Adjustments Budget – Monthly Cash flow

Supporting Table SB16 – Consolidated Adjustments Budget – Monthly Capital Expenditure (Municipal Vote)

Supporting Table SB17 – Consolidated Adjustments Budget – Monthly Capital Expenditure (Standard Classification)

Supporting Table SB18A – Consolidated Adjustments Budget – Capital Expenditure on New Assets by Asset Class

Supporting Table SB18B – Consolidated Adjustments Budget – Capital Expenditure on Renewal of Existing Asset by Asset Class

Supporting Table SB18C – Consolidated Adjustments Budget – Expenditure on Repairs and Maintenance by Asset Class

Supporting Table SB19– Consolidated List of Capital Programmes and Projects affected by Adjustments Budget

## 8. Summary of the Adjustments Budget

Table below summarizes the increases in the Operating and Capital Budgets:

Summary of Increases and Decreases in the Budget	Expenditure Budget R'000	Revenue Budget R'000	Capital Budget R'000
Approved Budget 2011/12	3 691 530	4 438 450	824 147
Additional	106 758	85 270	105 826
Reduced	47 695	52 772	114 927
<b>Adjusted Budget 2011/12</b>	<b>3 750 588</b>	<b>4 470 948</b>	<b>815 046</b>
<b>Increase in Budget</b>	<b>59 059</b>	<b>32 498</b>	<b>(9 101)</b>
Grant Funding	18 355	35 140	13 597
External Loans	-	-	(38 691)
Net Increase in Budget	40 704	(2 642)	15 993

### **Municipal Manager's Quality Certification**

An adjustment budget and supporting documentation must be covered by a quality certificate in the format described below:

#### **Quality Certificate**

I, Sibongile Mazibuko, municipal manager of Mangaung Metropolitan 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 documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name: \_\_\_\_\_

**Municipal Manager of Mangaung Metropolitan Municipality (MMM)**

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

**Date:** \_\_\_\_\_