



ADJUSTMENTS BUDGET

2011/2012

Table of Contents

1	ADJUSTMENT BUDGET	3
1.1	Executive Mayor's Report.....	3
1.2	Resolutions.....	4
1.3	Executive Summary	5
1.3.1	Total Revenue	6
1.3.2	Revenue per Category	7
1.3.3	Total Expenditure	8
1.3.4	Expenditure per Category.....	10
1.3.5	Total Capital Expenditure	11
1.3.6	Capital Expenditure per Category	12
1.4	Adjustments Budget Tables.....	13
1.4.1	B1 – Budget Summary	14
1.4.2	B2 – Adjustments Budget Financial Performance (standard classification).....	15
1.4.3	B3 – Adjustments Budget Financial Performance (revenue and expenditure by municipal vote).....	16
1.4.4	B4 - Adjustments Budget Financial Performance (revenue and expenditure)	17
1.4.5	B5 - Adjustments Capital Expenditure Budget by Vote and Funding.....	18
1.4.6	B6 – Adjustments Budget Financial Position	19
1.4.7	B7 – Adjustments Budget Cash Flows	20
1.4.8	B8 – Cash Backed Reserves / Accumulated Surplus Reconciliation.....	21
1.4.9	B9 – Asset Management	22
1.4.10	B10 – Basic Service Delivery Measurement.....	23
2	SUPPORTING DOCUMENTATION	24
2.1	Adjustments Budget Assumptions.....	24
2.2	Adjustments to Budget Funding	24
2.3	Adjustments to Expenditure on Allocations and Grants Programmes	25
2.4	Adjustments to Councillor Allowances and Employee Benefits	25
2.5	Adjustment to Service Delivery and Budget Implementation Plan.....	25
2.6	Adjustment to Capital Expenditure	26
2.7	Other Supporting Documents (SB1 to SB20)	26
2.8	Municipal Manager's Quality Certification.....	26

1 ADJUSTMENT BUDGET

1.1 Executive Mayor's Report

In accordance with Section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- i. To adjust the revenue and expenditure estimates downwards if there is material under collection of revenue;
- ii. To 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;
- iii. To authorise unforeseeable and unavoidable expenditure recommended by the Executive Mayor of the Municipality
- iv. To authorise the utilisation of projected savings in one vote towards spending under another vote;
- v. To 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 rollovers when the annual budget for the current year was approved by the Council;
- vi. To correct any errors in the annual budget.
- vii. To provide for any other expenditure within a prescribed framework.

The Municipal Budget and Reporting Regulations stipulate that one adjustments budget may be tabled in the municipal Council during a financial year. The Adjustments Budget must normally be approved by Council by the 28th of February.

The Executive Mayor recommends that the Council approves the 2011/12 Adjustments Budget and the indicative allocations for the projected outer years 2012/13 and 2013/14.

1.2 Resolutions

Council resolves that the Adjustments Budget and proposed Virements of the District Municipality for the financial year ended 30 June 2012 as set-out in the paragraphs **1.4 – 1.4.10** of the Adjustment Budget Report be approved, in accordance with Section 28 (2) of the Municipal Finance Management Act, No 56 of 2003 and the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

Xhariep District Municipality prepared and submitted to Council, a mid-year assessment report, where it was evident that the annual budget had to be adjusted taking into consideration the actual expenditure pattern for the period 1 July 2011 to 31 December 2011.

The details of the proposed adjustments as well as the underlying rationale behind these adjustments are discussed under the following headings below:

- 3.1. Total Revenue
- 3.2. Revenue per Category
- 3.3. Total Expenditure
- 3.4. Expenditure per Category
- 3.5. Total Capital Expenditure
- 3.6. Capital Expenditure per Category

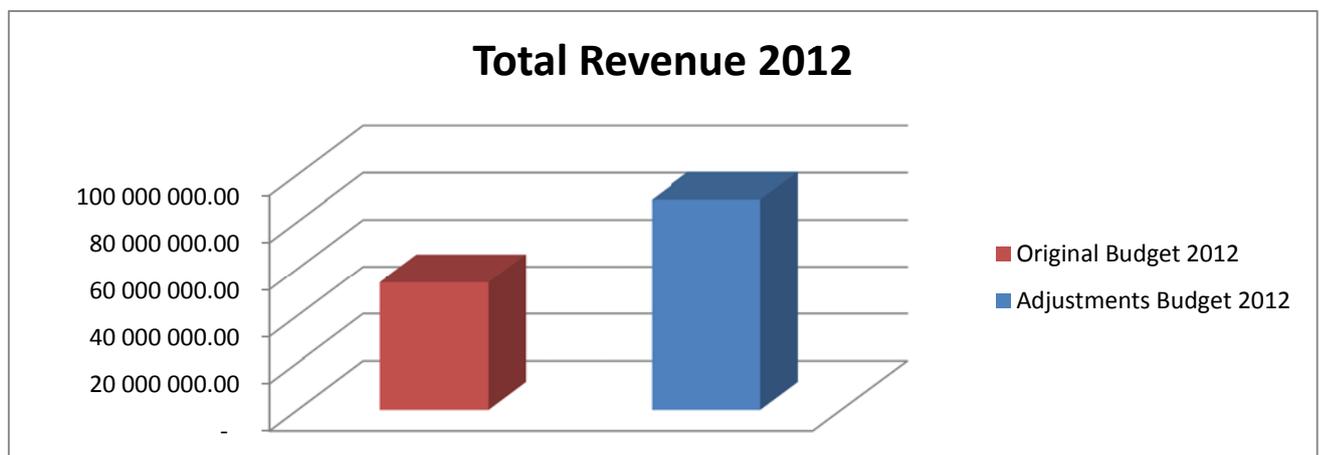
1.3.1 Total Revenue

During the adjustments budget process the total revenue of Xhariep District Municipality was increased by R35,092 million from R54,193 million to R89,285 million. This represents a 65% increase in the total budgeted revenue for the 2011/2012 financial year.

The major contributors to the increase in the total budgeted revenue for 2011/2012 are the following:

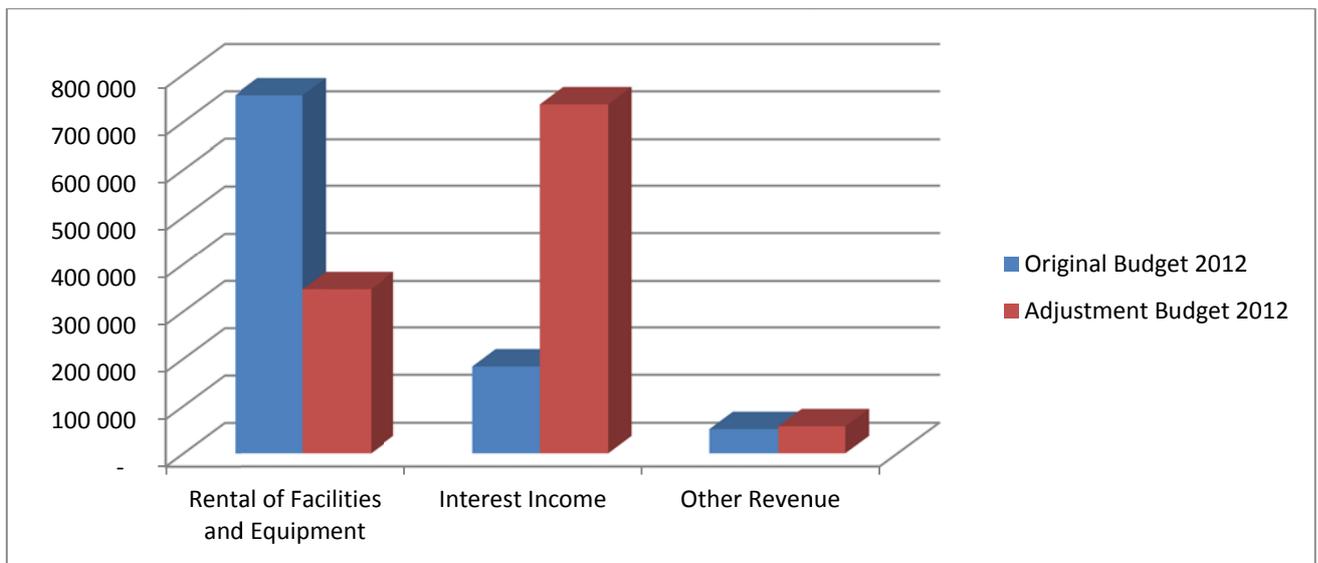
- Grants and Subsidies received was increase from R53,205 million to R88,144 million due to R34,514 million being allocated to Xhariep District Municipality in terms of the Section 12(c) dissolution notice of Motheo District Municipality. Furthermore EPWP grant income was reduced from R536K to R357K based on the budgeted activity plan submitted by Xhariep District Municipality. Budgeted conditional grant income was increase with R631 K as a result of project roll overs under the MSIG and PIG grant projects.
- Budgeted interest income from investments was increase with R545K based on the assumption that average invested funds would increase as a result of the funding received from the Motheo District Municipality dissolution process.
- Budgeted rental from facilities was decreased by R409K due to incorrect assumptions applied with respect to rental generation activities during the annual budget preparation process.

This trend is illustrated in the graph below.



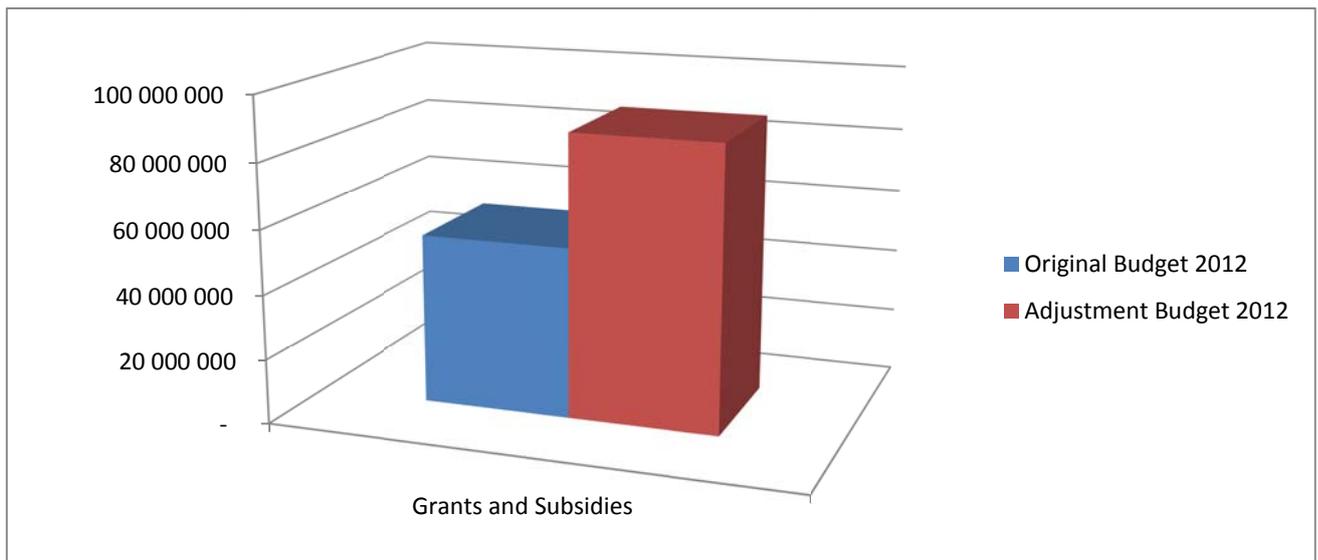
1.3.2 Revenue per Category

The graph below depicts the change in budgeted revenue per category for each of the following areas namely grants and subsidies received, rental of facilities, interest income and other revenue. The factors leading to the changes in budgeted revenue per category have been discussed above in paragraph 1.3.1.



The graph below depicts the change in revenue per category for the following area:

- Grants and Subsidies – Increase from R53,205 million to R88,144 million.



1.3.3 Total Expenditure

During the adjustments budget process the total expenditure of Xhariep District Municipality was increased by R31,743 million from R50,351 million to R82,094 million. This represents a 63% increase in the total budgeted expenditure for the 2011/2012 financial year.

The major contributors to the increase in the total budgeted expenditure for 2011/2012 are the following:

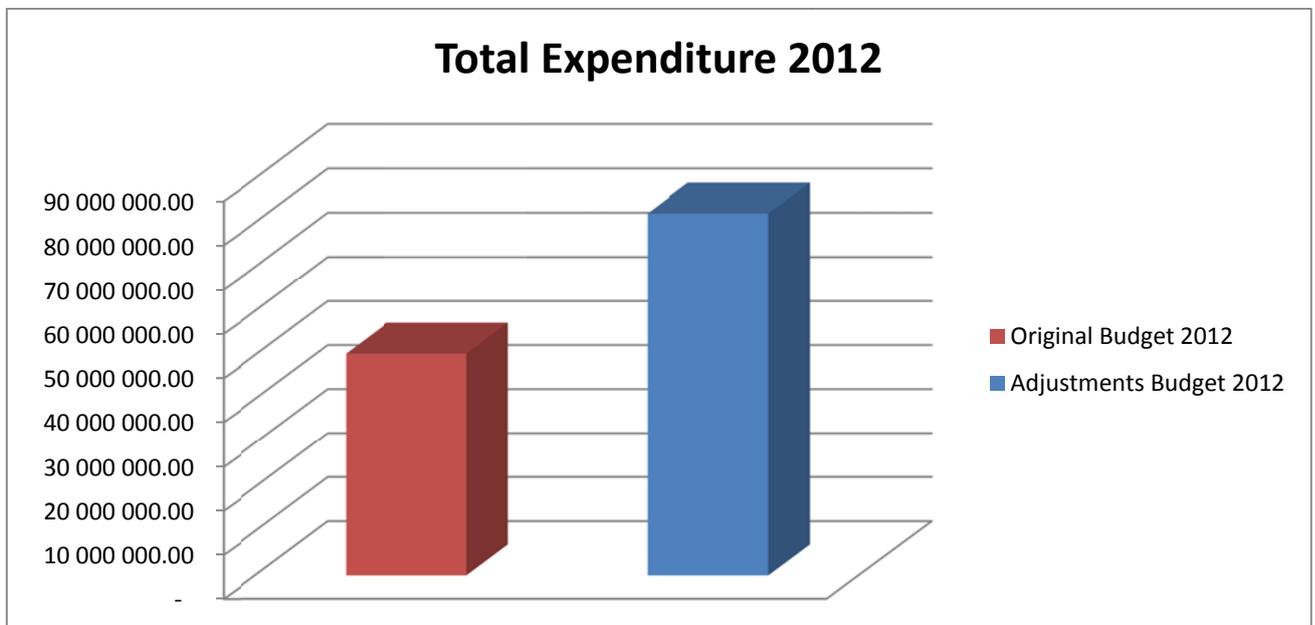
- Budgeted employment related costs decreased with R654K, although the budgeted employment related costs decreased the following additional expenditure was projected during the adjustments budget process namely due to aligning the remuneration packages of all departmental managers, filling of vacancies within the planning and development department and the budget and treasury department, providing accurately for long service awards, annual bonuses and leave entitlements and applying savings against the annual budget as a result of resignations during 2011/2012.
- Budgeted remuneration of Councillors was increased with R239,000 due to the application of the amended upper limits applicable to Councillors remuneration. Furthermore changes in legislation required that Xhariep District Municipality budget for a refund of UIF contributions withheld from Councillors in past years.
- Budgeted depreciation and asset impairment amounting to R1,752 million was included in the adjustments budget. This expense item was not budgeted for in the annual budget but is now essential given that the exemption period for the application of Directive 7 has lapsed at 30 June 2011.
- Budgeted grants and subsidies amounting to R27,295 was included in the adjustments budget. This expense item was not budgeted for in the annual budget but is in direct response to the unfunded mandate in the IDP of local municipalities within our District. The funding for this category emanates from the Motheo dissolution grant received. The following grant funding is anticipated per local via direct / indirect disbursement:

**XHARIEP DISTRICT MUNICIPALITY
ADJUSTMENT BUDGET 30 JUNE 2011/2012**

- Naledi Local Municipality – R19,895 million.
 - Kopanong Local Municipality – R1,2 million.
 - Mohokare Local Municipality – R4,2 million.
 - Letsemeng Local Municipality – R1,2 million.
 - Cemetery projects – R800 K.
-
- Budgeted debt impairment amounting to R7K was included in the adjustments budget. This expense item was not budgeted for in the annual budget but is in direct response to the uncollectability of long term debtors.

 - Budgeted general expenditure was increased with R3,2 million to R22,5 due to a number of projects prioritised in the Office of the Municipal Manager, corporate services, planning and development, budget and treasury departments in response to the additional funding available as a result of the Motheo dissolution.

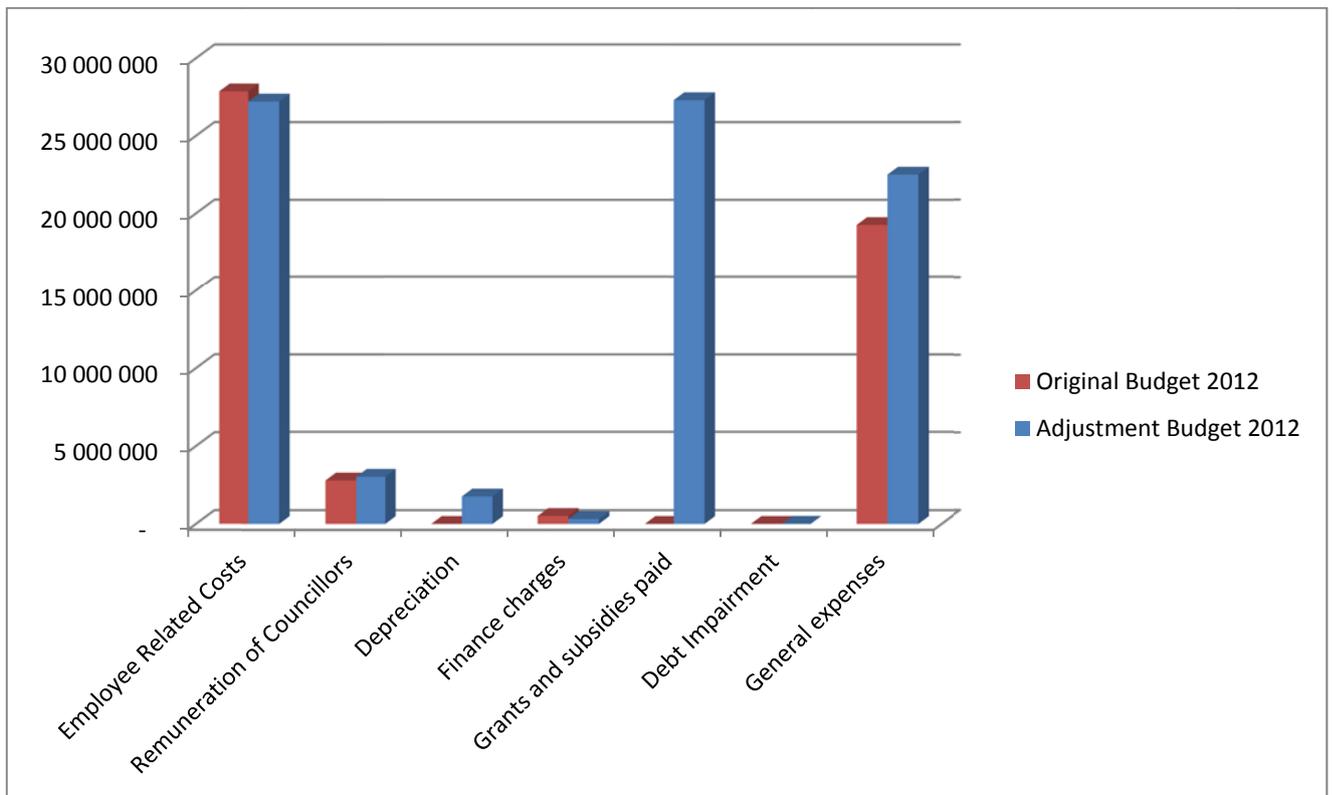
This trend is illustrated in the graph below.



**XHARIEP DISTRICT MUNICIPALITY
ADJUSTMENT BUDGET 30 JUNE 2011/2012**

1.3.4 Expenditure per Category

The graph below depicts the change in budgeted expenditure per category for each of the following areas namely employment related costs, remuneration of councillors, debt impairment, depreciation, finance charges, grants and subsidies and general expenditure. The factors leading to the changes in budgeted revenue per category have been discussed above in paragraph 1.3.3.

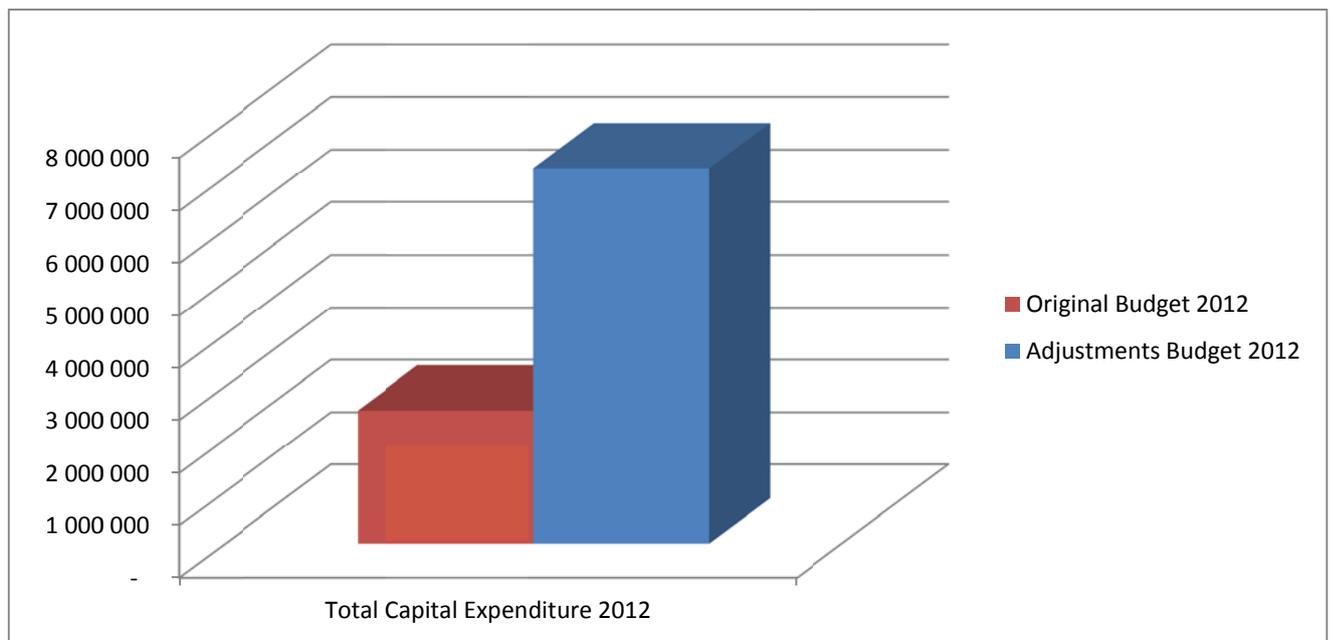


1.3.5 Total Capital Expenditure

Total Capital Expenditure was increased from R2,7 million to R7,1 million (R4,4 million and 163%). The increase in the total budgeted capital expenditure for 2012 is as a result of the following:

- The installation of a security system – The total anticipated cost of the security system as per the annual budget was R2,5 million. The actual cost budgeted for in the adjustments budget is R3,0 million. Furthermore it should be noted that this expenditure was incorrectly budgeted for under general expenditure vote in annual budget.
- The upgrading of the office building – The total anticipated cost of the upgrade was R1,2 million as per the annual budget. This amount was incorrectly budgeted for under the repairs and maintenance vote in annual budget.
- Additional acquisition of computer equipment to the value of R200 K within the corporate services department has been budgeted for in the adjustments budget.
- Furthermore the upgrade of cemeteries was moved to grant and subsidies paid as it does not represent Xhariep's capital expenditure.

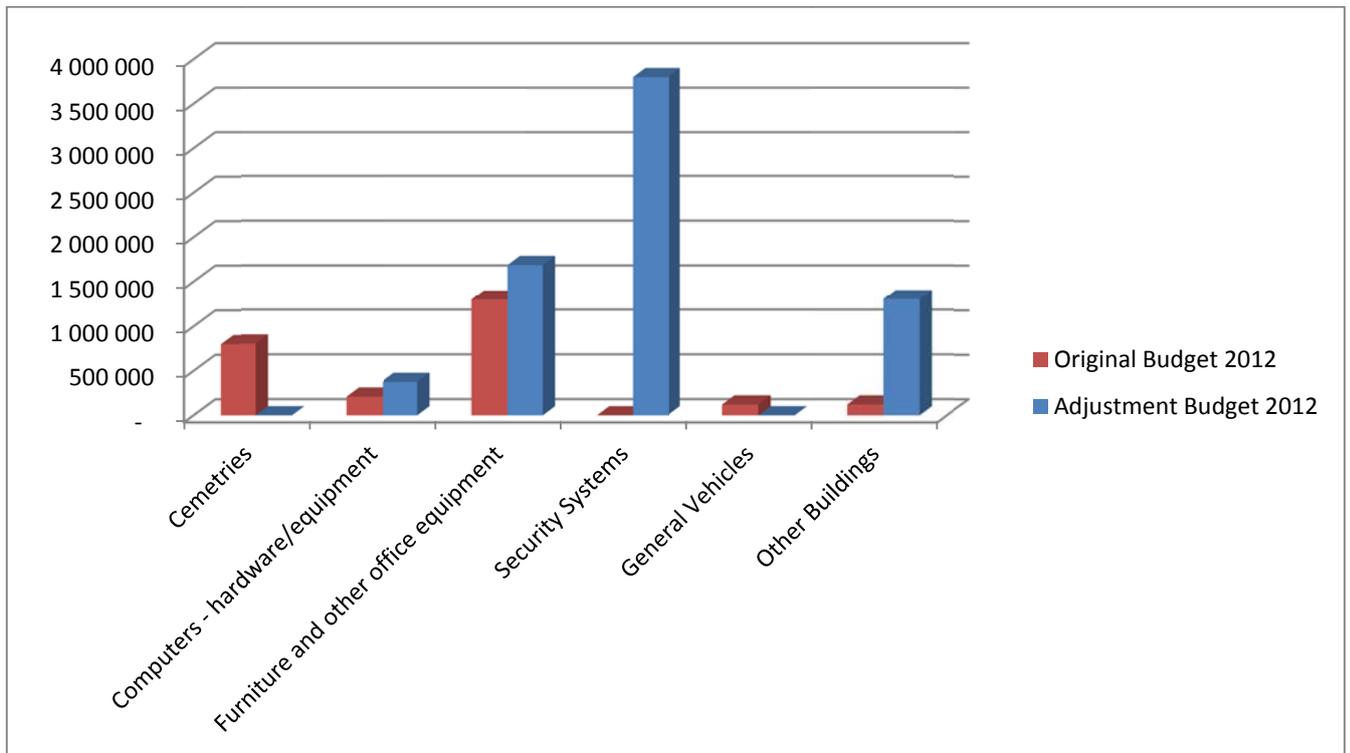
This trend is illustrated in the graph below.



**XHARIEP DISTRICT MUNICIPALITY
ADJUSTMENT BUDGET 30 JUNE 2011/2012**

1.3.6 Capital Expenditure per Category

The graph below depicts the change in budgeted capital expenditure per category for each of the following areas namely cemeteries, computers, furniture, security systems, general vehicles and general buildings. The factors leading to the changes in budgeted revenue per category have been discussed above in paragraph 1.3.5.



1.4 Adjustments Budget Tables

1.4.1 B1 – Budget Summary

1.4.2 B2 – Adjustments Budget Financial Performance (standard classification)

1.4.3 B3 – Adjustments Budget Financial Performance (revenue and expenditure by municipal vote)

1.4.4 B4 - Adjustments Budget Financial Performance (revenue and expenditure)

1.4.5 B5 - Adjustments Capital Expenditure Budget by Vote and Funding

1.4.6 B6 – Adjustments Budget Financial Position

1.4.7 B7 – Adjustments Budget Cash Flows

1.4.8 B8 – Cash Backed Reserves / Accumulated Surplus Reconciliation

1.4.9 B9 – Asset Management

1.4.10 B10 – Basic Service Delivery Measurement

2 SUPPORTING DOCUMENTATION

2.1 Adjustments Budget Assumptions

Overall the underlying assumptions supporting the Adjustments Budget remained consistent with the assumptions applied during the preparation of the Annual Budget.

The additional assumptions have been applied:

- The effects of Depreciation, impairment have been budgeted for given that the exemption from the effects of GRAP 17 under Directive 7 is no longer applicable effective 1 July 2011.
- The conditions of the Collective Agreement with respect to the accumulation of annual leave and long service leave have been applied.
- Certain capital expenditure was incorrectly budgeted for as repair and maintenance and interest expense.
- The effects on employment costs as a result of promotions, placements and the filling of critical vacancies.
- Material variances in rental income indicating an under recovery when compared to the annual budget.
- Material increase in grants and subsidies received as per the Motheo District Municipality disestablishment distribution.

2.2 Adjustments to Budget Funding

The Budget funding has been adjusted due to the R34 million received from the Motheo District Municipality as part of the disestablishment process of that municipality. Refer to part 1.3.1 and 1.3.2 above for a detailed discussion on adjustments made to budget funding.

2.3 Adjustments to Expenditure on Allocations and Grants Programmes

The Budget expenditure on conditional grants has been adjusted to cater for the anticipated spending on the Financial Management Grant and Municipal Systems Improvement Grant due to roll over projects from the 2011 financial year.

Refer to part 1.3.3 and 1.3.4 above for a detailed discussion on adjustments made to total expenditure and expenditure per category.

2.4 Adjustments to Councillor Allowances and Employee Benefits

The Budget expenditure on Councillor Allowances has been adjusted to cater for the anticipated increase as a result of the alignment of Councillor Allowances to the proposed upper limits as gazette.

The Budget expenditure on employee benefits has been adjusted to cater for the effects of promotions, placements, filling of critical vacancies and the implementation of the prescripts of the Collective Wage Agreement.

Refer to part 1.3.3 and 1.3.4 above for a detailed discussion on adjustments made to total expenditure and expenditure per category.

2.5 Adjustment to Service Delivery and Budget Implementation Plan

The Service Delivery and Budget Implementation Plan will be adjusted accordingly.

2.6 Adjustment to Capital Expenditure

Refer to part 1.3.5 and 1.3.6 above for a detailed discussion on adjustments made to total capital expenditure and capital expenditure per category. All capital expenditure programmes and projects have been aligned to the Integrated Development Plan of the District Municipality.

2.7 Other Supporting Documents

SB1 to SB20.

2.8 Municipal Manager's Quality Certification

I, TL Mkhwane, Municipal Manager of Xhariep 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 to a certain extent with the budget document as set out in schedule B of the regulations including the main tables (B1 – B10), and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name:

Signature:.....

Date:.....