

# **XHARIEP DISTRICT MUNICIPALITY**

## **ADJUSTMENT BUDGET FOR THE 2013/2014 FINANCIAL YEAR**

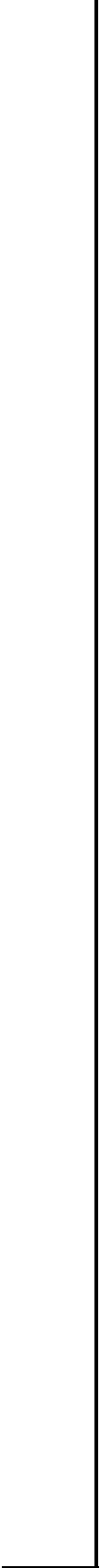
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## 1.2 EXECUTIVE SUMMARY

### **Purpose**

To outline important matters surrounding the changes effected in the 2013/2014 Adjustments Budget.

### **Background**

Section 28(5) of the Municipal Finance Management Act stipulates that:

- (5) When an adjustments budget is tabled, it must be accompanied by:
- (a) an explanation how the adjustments budget affects the annual budget;
  - (b) a motivation of any material changes to the annual budget;
  - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - (d) any other supporting documentation that may be prescribed.

### **Discussions**

#### **Explanation of how the adjustments budget affects the annual budget**

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 expenditure pattern from July 2013 to December 2013. The adjustments budget process took place within the scope of Section 28 of the Municipal Finance Management Act.

#### **Motivation for material changes to the Annual Budget**

The material changes to the Adjustment Budget were as a result of:

- EPWP expenditure that has to be sourced from the municipality's equitable share as the R1mil grant would not sustain the EPWP labourers in the remaining 6 months;
- The municipality committed in supporting students in the district with stipend allowances and accommodation for the academic year 2014. This was not budgeted for in the 13/14 annual budget, but has been catered for in the adjustment budget;
- The municipality under-budgeted for audit fees in the annual budget, but the municipality improvised for the significantly increased audit fees in the adjustment budget;
- The R800 000 travel and subsistence allowance for councillors has been exhausted at midyear and had to be increased in the adjustment budget.

#### **Adjustments to Councillor Allowances and Employee Benefits**

The Budget expenditure on Councillor Allowances has been adjusted to cater for the anticipated change 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 replacements, filling of critical vacancies and the implementation of the prescripts of the Collective Wage Agreement.

## OFFICE OF THE EXECUTIVE MAYOR

27 January 2013

For submission to Council

### ADJUSTMENTS BUDGET PRESENTATION FOR THE 2013/2014 FINANCIAL YEAR

#### **Purpose**

Purpose of this submission is to present to Council, Xhariep District Municipality's Adjustment Budget for the 2013/2014 financial year.

#### **Background**

1) The Municipal Finance Management Act (MFMA) Section 28, stipulates that:

28. (1) A municipality may revise an approved annual budget through an adjustments budget.

(2) 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.

(3) An adjustments budget must be in a prescribed form.

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

#### **Discussions**

In compliance with the above sections of the MFMA, a 2013/14 Approved Adjustments Budget is revised for the first time in the financial year based largely on the following:

- EPWP expenditure has to be sourced from the municipality's equitable share as the R1mil grant would not sustain the EPWP labourers in the remaining 6 months. EPWP projects from the 2012/2013 financial overlapped to the 2013/2014 financial year. Budget R1000 000, expenditure R 1 597 213, overspent R 597 213, Adjustment budget R 2 897 180.

- The municipality committed in supporting students in the district with stipend allowances and accommodation for the academic year 2014. This was not budgeted for in the 13/14 annual budget, but has been catered for in the adjustment budget; LGSETA will cover all the costs, however the programme is rolling out in February and LGSETA has not paid yet, hence we had to cater for the costs in the municipality's adjustments budget.
- The municipality under-budgeted for audit fees in the annual budget, but the municipality improvised for the significantly increased audit fees in the adjustment budget. Budget R1 800 000, Expenditure R1 800 000, Adjustment Budget R2 583 583. The adjustment budget amount takes into account the Auditor General invoice of R755 thousand.
- The R800 000 travel and subsistence allowance for councillors has been exhausted at midyear and had to be increased in the adjustment budget. Budget R800 000, expenditure R914 651, Adjustment Budget R1 371 654.
- Unspent conditional grants deducted from equitable share. The municipality applied for a roll-over of R631 thousand which was not granted by treasury. The R631 is made of R228 thousand of MSIG and R403 thousand FMG.
- The Executive Mayor's vehicle breakdown.
- Purchasing of servers by the IT Unit.

### **Financial Implications**

None. The total expenditure did not increase due to the affected changes. Money from other votes was used to bridge the identified foreseeable shortages.

### **Legal Implications**

1. Compliance to Section 28(2) and of the Municipal Financial Management Act – Municipal Adjustments Budgets.

### **Other Parties Consulted**

The Accounting Officer  
All Directors  
All Managers

### **Recommendations:**

- 1) It is recommended that the council adopt a proposed 2013/14 financial year adjustments budget.
- 2) It is recommended that the council adopt the 2013/14 financial year adjustments budget, indicative for the two projected outer years, 2014/15 and 2015/16, as set out in the following schedules, and subject to any additional schedules and records added per the prescriptions of the National Treasury.
  - a. Operating Revenue by source reflected in table B2 to B4;
  - b. Operating expenditure by vote reflected in table B2 to B4;
  - c. The multi-year and single-year capital expenditure appropriations by vote and associated funding reflected in table B5 of the 2013/14 MTREF.
- 3) Council note that the SDBIP submission and approval will be dealt with in accordance with sections 69(3) (a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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Cllr. M.G. Ntwanambi  
Executive Mayor

## **Budget implementation**

**69.** (1) The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure-

- (a) that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan: and
- (b) that revenue and expenditure are properly monitored.

(2) When necessary, the accounting officer must prepare an adjustments budget and

(3) The accounting officer must no later than 14 days after the approval of an annual

- (a) a draft service delivery and budget implementation plan for the budget year, submit it to the mayor for consideration and tabling in the municipal council budget submit to the mayor and
- (b) drafts of the annual performance agreements as required in terms of section S7 (1)(b) of the Municipal Systems Act for the municipal manager and all senior managers.

## **XHARIEP DISTRICT MUNICIPALITY**

### **1.4 ALIGNMENT OF ADJUSTMENTS BUDGET WITH INTEGRATED DEVELOPMENT PLAN**

#### **1.4.1 Introduction**

Integrated development planning in the South African context is amongst others an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. The budget seeks to implement the strategic decisions in the IDP.

The IDP is the result of a number of planning processes and comprises of a five year period which correlates to the term of the political incumbents.

#### **1.4.2 Link between the IDP and the Adjustments Budget**

In compliance with the Municipal Structures Act (1998) and the Municipal Financial Management Act (2003), Xhariep's budget is informed and aligned to the IDP objectives. The IDP determines and prioritizes the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that the IDP outcomes are achieved, but also to ensure that the Municipality's vision is realized.

#### **1.4.3 Summary of Key Priorities for 2013/2014**

Based on the analysis the following key priorities were identified for attention during the 2013/2014 IDP review processes. These are also given according to clusters which are adopted from the FS Provincial Growth and Development Strategy and modified to suite municipal reporting and implementation arrangements.

1. Water, Sanitation and Infrastructure.
2. Economic Development and SMME support.
3. Employment creation.
4. Tourism opportunities along NI and Gariep Dam.
5. Emerging farmer strategy and housing backlogs.
6. Financial viability, revenue strategies and organizational capacity of XDM.
7. Education, skills transfer and capacity building.
8. Special programmes: Youth, Women and people with disabilities.
9. Youth development.

#### **1.4.4 Political Priorities and linkages to the IDP**

The IDP is an all-encompassing plan which provides the framework for development within a municipality. It aims to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all the people living in the Xhariep District Municipality district area.

All operating and capital programs in the 2013/2014 medium-term budget have been evaluated and prioritized to ensure that there is alignment to the development strategy of the municipality. The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of the priorities.



#### **1.4.5 IDP overview and key amendments**

To encourage better planning, government has legislated that municipalities must produce Integrated Development Plans (IDP's). The IDP is a five year plan whose principle purpose is to ensure the development of the community in an integrated manner which involves strategic business units within the municipality, relevant strategic stakeholders and the community.

#### **1.4.6 IDP review process and stakeholder participation**

The current generation of Xhariep's Integrated Development Plan (IDP) has now undergone its final review and is focusing on translating the Municipality's vision into tangible action. The public was invited to participate in the process. The IDP is reviewed on an annual basis in order to inculcate a democratic approach to local governance by ensuring all stakeholders get an opportunity to voice their opinions in influencing the shape, form, direction and pace of development in their localities. The municipality is committed to address the needs of the people and values the inputs from communities and stakeholders.

As set out in the Municipal Systems Act (2000), in the review of the IDP on an annual basis, a stakeholder consultation process is necessary. Of critical importance was for the municipality to ensure that there was thorough consultation with the community and strategic stakeholders. As part of the Annual Review of the municipality's IDP as prescribed by the Municipal Systems Act, the Council embarked on an extensive process to engage with all stakeholders and elicit comments which was fed back in to the reviewed 2013/2014 IDP and Budget.

The following programmes in the IDP are adequately budgeted for:

<b>PLANNING AND DEVELOPMENT DEPARTMENT</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
Environmental Management Projects (Environmental Health) <i>( Food quality, water quality monitoring plan, health surveillance of premises)</i>	R 200 000
Disaster Management Contributions <i>(Immediate social relief programmes )</i>	R 569 481
IDP Review	R 0
Health and Hygiene Education <i>(Hand washing campaigns and hygiene awareness )</i>	R 10 000
LED Trainings <i>(Animal production and product development)</i>	R 460 000
LED Projects <i>(Implement EPWP and monitor use of labour intensive methods to create jobs)</i>	R 600 042
Tourism Awareness Programme <i>(To provide awareness to the SMME's on the potential of tourism industry in the District)</i>	R 30 000
District Forums <i>(To provide a platform for the various LED stakeholders - various businesses - in the District to engage on matters related to the economic developments)</i>	R 15 000
<b>TOTAL PROJECTS FOR PLANNING AND DEVELOPMENT</b>	<b>R 1 884 523</b>

<b>GENERAL COUNCIL</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
District AIDS Council	R 1 228

<i>(Conduct awareness campaigns in all LM's and set up District Aids council)</i>	
Public Participation <i>(to give community a say / opportunity on the affairs of the Municipality )</i>	R 234 438
Youth Development Programmes <i>(To actively encourage youth to participate in the mainstream economy – small-scale projects and imparting of skills)</i>	R 89 885
Special Programmes <i>(To implements effective special groups support development programmes focusing on Youth, Gender and Disabled)</i>	R 49 069
Mayor's Social Responsibility <i>(To improve and enhance skills in the district – Assist with the registration of learners to institutions of learning)</i>	R 200 000
Mandela Day celebration <i>(To uphold the legacy of Nelson Mandela – Municipality to engage in social up liftment programmes)</i>	R 0
<b>TOTAL PROJECTS FOR GENERAL COUNCIL</b>	<b>R 577 120</b>

<b>BUDGET AND TREASURY OFFICE</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
GRAP AFS preparation <i>(A statutory financial reporting standards requirement – Good Governance)</i>	R505 882
<b>TOTAL PROJECTS FOR THE BUDGET AND TREASURY OFFICE</b>	<b>R 505 882</b>

## **XHARIEP DISTRICT MUNICIPALITY**

### **2.1 2013/2014 ADJUSTMENTS BUDGET ASSUMPTIONS**

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in Budget. Various government departments also affect municipal service delivery through the level of grants and subsidies.

Xhariep District Municipality is neither a bulk electricity distributor nor a water service authority.

The following principles and guidelines directly informed the compilation of the district's Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- Commitment by the municipality to comply substantially with the requirements of the Local Government Municipal Structures Act, Act No. 117 of 1998, specifically Section 84(1): Functions and Powers of the District Municipality.
- An assessment of the relative capacity to implement the Budget;
- No budget allocation to be made to programmes and projects, unless the respective programme and project plans are submitted by the relevant director's; and
- The need to enhance the municipality's revenue base.

The mid-year budget is therefore mainly underpinned by the following assumptions:

#### **2013/2014 OPERATING EXPENDITURE**

- Increases in training to accommodate training of students;
- Increase in travel and subsistence allowances for councillors;
- Increase in EPWP wages; and
- Increase in audit fees.

#### **2013/2014 CAPITAL EXPENDITURE**

Xhariep District Municipality, by virtue of being a district authority, does not receive any Municipal Infrastructure Grants from National Treasury per the DORA allocations. The municipality does not have any significant infrastructure projects planned for the 2013/2014 financial year.

### **2013/2014 OPERATING INCOME**

Xhariep District Municipality rely solely on Grant revenue from the National and Provincial Governments. Own revenue amounts to 0.56% of the total adjustments budget. There is no other significant source of revenue except for the Kopanong Local Municipality's rental income levied on a monthly basis and statutory (VAT claimed from SARS). All investments with the various financial institutions are strictly in compliance with the Municipal Finance Management Act and Municipal Investment Regulations. The municipality had not been in a position to generate substantial interest returns due to lack of funding to invest.

### **2013/2014 CAPITAL EXPENDITURE FUNDING**

Xhariep District Municipality mainly uses grant income to finance the insignificant capital projects the municipality undertakes.



An area of unfound diversity

**Xhariep**

**District Municipality**

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**OFFICE OF THE MUNICIPAL MANAGER**

27 January 2014

Submission to Council

**QUALITY CERTIFICATE BY THE MUNICIPAL MANAGER**

I, **Martin Mazondi Kubeka**, Municipal Manager of **Xhariep District Municipality**, hereby certify that the 2013/2014 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.

\_\_\_\_\_  
Mr MM Kubeka  
Municipal Manager

