

SUNDAYS RIVER VALLEY MUNICIPALITY (EC106)



ADJUSTMENT BUDGET 2015/16

- spending programmes already budgeted for;
- may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- may authorise the utilisation of projected savings in one vote towards spending under another vote;
- 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.

Furthermore the Mayor may table an adjustment budget as a result of a S72 report if necessary. The December 2015/16 midyear review was tabled to Council on 27 January 2016 where Council resolved that an adjustment budget was necessary.

The main reasons for the adjustment budget could be summarized as follows:

- material under-collection of revenue during the current year require the municipality to adjust the revenue and expenditure estimates downwards
- authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality, within a prescribed framework;
- authorise the utilisation of projected savings in one vote towards spending under another vote
- 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;
- may correct any errors in the annual budget

SECTION 3

EXECUTIVE SUMMARY

1.INTRODUCTION AND BACKGROUND

In accordance with the Municipal Finance Management Act (MFMA), No.56 of 2003

section 28 a municipality may revise an approved annual budget through an adjustments budget:

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.

Subsequent to the MFMA National treasury issued the Municipal budget and reporting regulations. The object of the regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing inform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters required by the Act.

When drafting the adjustment budget, consideration was given to section 18 of the MFMA which states that :

An annually budget may only be funded from:

- Realistically anticipated revenue to be collected;
- Cash backed accumulated funds from previous surpluses not yet committed for other purposes; and

and as a result of the asset forming part of asset register

	<i>Total Budget</i>	<i>Jul - Dec</i>	<i>Budget Balance</i>	<i>Prior year Actuals (AFS)</i>	PROPOSED ADJUSTED BUDGET
Property Rates	12 780 674	27 155 016	-14 374 342	28 889 124	35 835 640
Service Charges	34 402 283	6 402 474	27 999 809	55 181 047	20 993 884
Other Revenue	22 677 965	3 719 842	18 958 123	15 530 553	6 832 430
Rental of Facilities and Equipment	121 349	12 795	108 554	136 201	25 589
Finance Income(interest)	7 296 411	678 376	6 618 035	10 970 851	3 722 227
Fines	609 387	398 736	210 652	3 670 564	4 037 620
Licences & Permits	1 302 314	813 984	488 330	1 359 192	1 627 969
Govt Grants & Subsidies - Operating	61 808 715	43 968 039	17 840 676	53 881 114	61 318 130
Govt Grants & Subsidies - Capital	23 620 000	10 100 539	13 519 461	36 376 766	26 120 000
Agency Fees	1 362 818	855 388	507 430	1 520 034	1 710 770
Gains on Disposal of PPE			0		
	165 981 917	94 105 189	71 876 729	207 515 446	162 224 275

2.2 ADJUSTMENT BUDGET –OPERATING EXPENDITURE

- The approved budget operating expenditure is R159 million and this has been adjusted to R200 million which is an increased of R41 million. The upward movement is attributable to the following listed below, by category:
 - Repairs and Maintenance-Decreased by 988 thousand based on actual expenditure and planned expenditure to be incurred within the current year in terms road resealing which will be covered by SANRAL allocation and new vehicles inevitably decrease vehicle repairs and maintenance
 - Depreciation and amortization- These non-cash items will have an increase of 27.9 million to ensure a reliable budget is tabled.
 - Debt impairment – This non cash item will increase by 10 million due to the low collection rate of traffic fines and services. A provision for bad debt had to be adjusted upwards to ensure a more realistic revenue figure for fines and services. This has a huge impact on the budget and is the reason why the municipality will have to budget for a deficit.

2.3 ADJUSTMENT BUDGET –CASH FLOW

- Ratepayers and other: “Other” will be adjusted in line with actual receipts in term of agency fees, licence and permits etc
- Operating payments will be adjusted based on actual trends and planned expenditure still to be incurred
- Investing activities will be adjusted to reflect planned PPE acquisitions
- Financing Activities will be adjusted to reflect finance lease payments

2.4 ADJUSTMENT BUDGET – FINANCIAL POSITION

- Cash will be adjusted as per projected cash flow cash and cash balance at month ended June 2016
- Consumer debtors: Gross Debtors outstanding as per Annual Financial Statements is at R139 million, the debt by type reflects an outstanding amount of R185 million, thus debtors was increase to align with the actual results.
- Assets – will be adjusted in line with the latest verified asset register and projected capital expenditure at net book value
- Borrowings- will be adjusted to zero as the municipality doesn't have borrowings nor plans on borrowing funds
- Trade and other payables: Final AFS for 2014/15 indicate outstanding creditors of R24 million, budget will be adjusted to align with the actual balance projections based on payables actual trend pattern.

2.5 ADJUSTMENT BUDGET –CAPITAL EXPENDITURE

- There is not enough funding internally to cater for budgeted capital expenditure as the are no surplus reserves to cash back capital expenditure. Capital budget will be adjusted downwards by 12 million from the approved budget of 45

3. ADJUSTMENT BUDEGT CONCLUSION

As indicated above, these are adjustment to the approved budget to ensure the budget remains reliable and achievable.

The Council and management remains liable and committed in terms of ensuring that the financial resource are utilized to a maximum level so as to improve our cash flows.

I therefore table the adjustment budget 2015/16 financial year as contained in the agenda and attached copies from page 10 – 26 for financial adoption by Council.

I thank you

Presented by

Cllr Z Lose
MAYOR

EC186 Sundays River Valley - Table B1 Adjustments Budget Summary - 24 Feb 2015

Description	Budget Year 2017/18										Budget Year	Budget Year
	Original	Prior	Accoun.	Multi-year	Unalloc.	Mat. or	Other	Total	Adjusted	Adjusted	e1 2018/19	42 2018/19
	Budget	Adjusted	Funds	capital	Unavail.	Prov. Cost	Adjust.	Adjust.	Budget	Budget		
	A	A1	B	C	D	E	F	G	H			
R Thousands												
Financial Performance												
Property sales	12 781	-	-	-	-	-	23 655	23 655	35 836	-	-	-
Service charges	34 402	-	-	-	-	-	(13 402)	(13 402)	20 994	-	-	-
Investment revenues	186	-	-	-	-	-	1 253	1 253	1 439	-	-	-
Transfers recognized - operational	61 808	-	-	-	-	-	(488)	(488)	61 318	-	-	-
Other non revenue	33 184	-	-	-	-	-	(16 652)	(16 652)	16 518	-	-	-
Total Revenue (including capital transfers and contributions)	142 362	-	-	-	-	-	(6 237)	(6 237)	136 194	-	-	-
Employer costs	47 294	-	-	-	-	-	32	32	47 326	-	-	-
Remuneration of councillors	5 301	-	-	-	-	-	653	653	5 953	-	-	-
Depreciation & asset impairment	17 500	-	-	-	-	-	27 330	27 330	44 830	-	-	-
Finance charges	1 854	-	-	-	-	-	1 970	1 970	3 624	-	-	-
Materials and bulk purchases	26 144	-	-	-	-	-	(303)	(303)	25 155	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	61 826	-	-	-	-	-	12 192	12 192	74 117	-	-	-
Total Expenditure	139 218	-	-	-	-	-	41 196	41 196	200 414	-	-	-
Surplus/(Deficit)	(16 856)	-	-	-	-	-	(47 454)	(47 454)	(64 319)	-	-	-
Transfers recognized - capital	23 620	-	-	-	-	-	2 500	2 500	26 120	-	-	-
Contributions recognized - capital & credited	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	6 764	-	-	-	-	-	(44 954)	(44 954)	(38 199)	-	-	-
Share of surplus/ (deficit) of associates	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	6 764	-	-	-	-	-	(44 954)	(44 954)	(38 199)	-	-	-
Capital expenditure & funds sources												
Capital expenditure	45 864	-	-	-	-	-	(11 216)	(11 216)	33 648	-	-	-
Transfers recognized - capital	23 620	-	-	-	-	-	2 500	2 500	26 120	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	21 444	-	-	-	-	-	(13 716)	(13 716)	7 728	-	-	-
Total sources of capital funds	45 864	-	-	-	-	-	(11 216)	(11 216)	33 648	-	-	-
Financial position												
Total current assets	48 829	-	-	-	-	-	2 289	2 289	52 228	-	-	-
Total non current assets	370 543	-	-	-	-	-	135 950	135 950	506 493	-	-	-
Total current liabilities	23 647	-	-	-	-	-	6 203	6 203	29 851	-	-	-
Total non current liabilities	18 429	-	-	-	-	-	4 125	4 125	22 554	-	-	-
Community wealth/Equity	383 947	-	-	-	-	-	117 488	117 488	386 316	-	-	-
Cash flows												
Net cash from (used) operating	24 417	-	-	-	2 118	-	(12 042)	(10 732)	13 685	-	-	-
Net cash from (used) investing	(65 054)	-	-	-	-	-	11 716	11 716	(33 348)	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	1 808	1 808	1 808	-	-	-
Cash/cash equivalents at the year end	(13 312)	-	-	-	2 118	-	13 898	15 980	2 667	-	-	-
Cash investments/financial assets												
Cash and investments available	2 000	-	-	-	-	-	21 657	21 657	23 657	-	-	-
Application of cash and investments	(5 739)	-	-	-	-	-	18 448	18 448	12 707	-	-	-
Balance - surplus/ (deficit)	7 739	-	-	-	-	-	3 211	3 211	18 949	-	-	-
Asset Measurement												
Asset register necessary (N/A)	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	17 500	-	-	-	-	-	27 330	27 330	44 830	-	-	-
Recovery of Existing Assets	23 620	-	-	-	-	-	1 378	1 378	24 998	-	-	-
Repairs and Maintenance	7 657	-	-	-	-	-	(303)	(303)	6 108	-	-	-

EC186 Sunnys River Valley - Table B6 Adjustments Budget Financial Position - 24 Feb 2015

Description	Ref	Budget Year 2017/18									Budget Yr	Budget Yr
		Original	Prior	Accoun.	Multi-year	Unsett.	Int. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unsett.	Prov. Govt	Adjts.	Adjts.	Budget	Budget	Budget
	A	A1	B	C	D	E	F	G	H			
ASSETS												
Current assets												
Cash		2 000						657	657	2 657		
Call investment deposits	1	-	-	-	-	-	-	21 000	21 000	21 000	-	-
Consumer debtors	1	47 768	-	-	-	-	-	(19 588)	(19 588)	28 200	-	-
Other debtors		-						-	-	-		
Current portion of long-term receivables		3						-	-	3		
Inventory		158						210	210	368		
Total current assets		49 929						2 280	2 280	52 236		
Non-current assets												
Long-term receivables												
Investments												
Investment property		42 438						(19 630)	(19 630)	22 808		
Investment in Associate												
Property, plant and equipment	1	327 218	-	-	-	-	-	155 648	155 648	482 855		
Agricultural												
Biological												
Intangible		830								830		
Other non-current assets												
Total non-current assets		379 543						135 618	135 618	506 403		
TOTAL ASSETS		429 473						138 248	138 248	558 722		
LIABILITIES												
Current liabilities												
Bank overdraft												
Borrowing		451	-	-	-	-	-	801	801	1 352		
Consumer deposits		275						382	382	577		
Trade and other payables		22 822						5 000	5 000	27 822		
Provisions												
Total current liabilities		23 649						6 283	6 283	29 851		
Non-current liabilities												
Borrowing	1	2 000	-	-	-	-	-	(2 252)	(2 252)	354		
Provisions	1	15 829						6 377	6 377	22 201		
Total non-current liabilities		17 829						4 125	4 125	22 555		
TOTAL LIABILITIES		41 478						10 408	10 408	52 406		
NET ASSETS	2	378 004						127 828	127 828	506 316		
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		388 047						117 489	117 489	506 316		
Reserves												
TOTAL COMMUNITY WEALTH/EQUITY		388 047						117 489	117 489	506 316		

EC186 Shastya River Valley - Table B9 Cash backed reserves/accumulated surplus reconciliation - 24 Feb 2015

Description	Ref	Budget Year 2012/13									Budget Year	Budget Year
		Budget	Peer	Accum.	Multi-year	Deficit	Ret. or	Other	Total	Adjusted	Adjusted	Adjusted
		A	3	4	5	6	7	8	9	10	Budget	Budget
		A1	B	C	D	E	F	G	H			
IF Reserves												
Cash and investments available												
Cash/cash equivalents at the year end	1	(13 312)	--	--	--	2 110	--	13 950	15 969	2 657	--	--
Other cash investments > 90 days		15 312	--	--	--	(2 110)	--	7 780	5 620	21 000	--	--
Non-cash assets - investments	1	--	--	--	--	--	--	--	--	--	--	--
Cash and investments available:		2 000	--	--	--	--	--	21 637	21 637	23 657	--	--
Application of cash and investments												
Unspent conditional transfers		--	--	--	--	--	--	5 000	5 000	5 000	--	--
Unspent borrowing		--	--	--	--	--	--	--	--	--	--	--
Statutory requirements		--	--	--	--	--	--	--	--	--	--	--
Other working capital requirements	2	(5 730)	--	--	--	--	--	13 448	13 448	7 707	--	--
Other provisions		--	--	--	--	--	--	--	--	--	--	--
Long term investments controlled		--	--	--	--	--	--	--	--	--	--	--
Reserves to be backed by cash/investments		--	--	--	--	--	--	--	--	--	--	--
Total Application of cash and investments:		(5 730)	--	--	--	--	--	18 408	18 408	12 707	--	--
Surplus/(deficit)		7 730	--	--	--	--	--	3 211	3 211	10 950	--	--

EC188 Stawbys River Valley - Table 19 Asset Management - 24 Feb 2015

Description	Ref	Budget Year 2017/18									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unabs.	Rel. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavail.	Prov. Govt	Adjunct.	Adjunct.	Budget	Budget	
A	A1	B	C	D	E	F	G	H				
Item Summary												
CAPITAL EXPENDITURE												
Total New Assets to be adjusted	1	21 404	-	-	-	-	-	(11 585)	(11 585)	9 819	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Sewerage		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Commonly		418	-	-	-	-	-	(418)	(418)	-	-	-
Heritage assets		324	-	-	-	-	-	(324)	(324)	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets		18 880	-	-	-	-	-	(18 881)	(18 881)	9 819	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		830	-	-	-	-	-	-	-	830	-	-
Total Renewal of Existing Assets to be adjusted	2	29 628	-	-	-	-	-	1 378	1 378	24 988	-	-
Infrastructure - Road transport		15 754	-	-	-	-	-	-	-	15 754	-	-
Infrastructure - Electricity		412	-	-	-	-	-	-	-	412	-	-
Infrastructure - Water		-	-	-	-	-	-	2 500	2 500	2 500	-	-
Infrastructure - Sewerage		3 287	-	-	-	-	-	(1 122)	(1 122)	2 065	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		19 373	-	-	-	-	-	1 378	1 378	20 751	-	-
Commonly		4 247	-	-	-	-	-	-	-	4 247	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure to be adjusted	4	15 754	-	-	-	-	-	-	-	15 754	-	-
Infrastructure - Road transport		412	-	-	-	-	-	-	-	412	-	-
Infrastructure - Electricity		-	-	-	-	-	-	2 500	2 500	2 500	-	-
Infrastructure - Water		3 287	-	-	-	-	-	(1 122)	(1 122)	2 065	-	-
Infrastructure - Sewerage		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		19 373	-	-	-	-	-	1 378	1 378	20 751	-	-
Commonly		4 857	-	-	-	-	-	(418)	(418)	4 247	-	-
Heritage assets		324	-	-	-	-	-	(324)	(324)	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets		18 880	-	-	-	-	-	(18 881)	(18 881)	9 819	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		830	-	-	-	-	-	-	-	830	-	-
TOTAL CAPITAL EXPENDITURE to be adjusted	2	45 884	-	-	-	-	-	(18 217)	(18 217)	34 847	-	-
ASSET REGISTER SUMMARY - FVE (NOV)												
Infrastructure - Road transport	5											
Infrastructure - Electricity												
Infrastructure - Water												
Infrastructure - Sewerage												
Infrastructure - Other												
Infrastructure												
Commonly												
Heritage assets												
Investment properties												
Other assets												
Intangibles												
Agricultural Assets												
Biological assets												
TOTAL ASSET REGISTER SUMMARY - FVE (NOV)	5	-	-	-	-	-	-	-	-	-	-	-
EXPENDITURE OTHER ITEMS												
Operational & asset maintenance		17 500	-	-	-	-	-	27 338	27 338	44 838	-	-
Repairs and maintenance by asset class	3	7 887	-	-	-	-	-	(801)	(801)	6 186	-	-
Infrastructure - Road transport		601	-	-	-	-	-	(601)	(601)	-	-	-

No roll over contracts with budgetary implications

SECTION 12

CAPITAL EXPENDITURE DETAILS

Details shown in SB 18- SB 19

EC186 Sundays River Valley - Supporting Table S80 Adjustments Budget - expenditure on transfers and grant programme - 26 Feb 2015

Description	Ref	Budget Year 2017/18						Budget Year	Budget Year
		Original Budget	Prior Adjusted	Half-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget
		A	2 A1	3 B	4 C	5 D	6 E	7 F	
R Revenue									
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:	1								
Detailing expenditure of Transfers and Grants									
National Government:		38 848	-	-	-	(128)	(128)	38 712	-
Local Government Expendable Share		52 252						52 252	
EPWP Incentive		1 000						1 000	
Municipal Systems Improvement		930				(129)	(129)	802	
Integrated National Electrification Programme		1 500						1 500	
Finance Management		1 875						1 875	
LAG Operational Portion		1 243						1 243	
Provincial Government:		1 157	-	-	-	-	-	1 157	-
Health subsidy									
COGTA-SLL/Mp.Library		1 157						1 157	
District Municipality:		1 882	-	-	-	(375)	(375)	1 287	-
Environmental/Health		1 287						1 287	
Fire		375				(375)	(375)	-	
Other grant providers:		150	-	-	-	(55)	(55)	95	-
UNDP									
other grants		150				(55)	(55)	95	
Total operating expenditure of Transfers and Grants:		81 888	-	-	-	(508)	(508)	81 288	-
Capital expenditure of Transfers and Grants									
National Government:		23 620	-	-	-	2 500	2 500	26 120	-
Municipal Infrastructure Grant (MIG)		23 620						23 620	
Regional Bulk Infrastructure						2 500	2 500	2 500	
Other capital transfers/grants (insert desc)									
Provincial Government:		-	-	-	-	-	-	-	-
(insert description)									
District Municipality:		-	-	-	-	-	-	-	-
(insert description)									
Other grant providers:		-	-	-	-	-	-	-	-
(insert description)									
Total capital expenditure of Transfers and Grants		23 620	-	-	-	2 500	2 500	26 120	-
Total capital expenditure of Transfers and Grants		85 429	-	-	-	1 992	1 992	87 379	-

2000

