



Verslag ♦ Ingxelo ♦ Report

Kantoor van die Direkteur: Finansies
19 Januarie 2017

5/1/1/1-2016/2017, 5/1/1/2-2016/2017
WYK: Alle

ITEM 7.3 VAN DIE AGENDA VAN 'N RAADSVERGADERING WAT GEHOU SAL WORD OP 26 JANUARIE 2017

ONDERWERP: 2016/17 – 2018/19 TWEDE AANSUIWERINGSKAPITAAL EN BEDRYFSBEGROTING

SUBJECT: 2016/17 – 2018/19 SECOND ADJUSTMENTS CAPITAL AND OPERATING BUDGET

1. BACKGROUND

The Municipal Finance Management Act places certain responsibilities and obligations on the Accounting Officer and Executive Mayor regarding the progress made in respect of the implementation of the budget and performance measured against the goals set out in the Service Delivery and Budget Implementation Plan. To assist the Mayor with his duties in respect of tabling the adjustment budget, the budget steering committee met on 17 January 2017 to discuss the adjustments and performance based on the half-year ended 31 December 2016.

After a comprehensive review of the report provided by the Budget Office, agreement was reached for the Mayor to make recommendations to Council via his mayoral committee. The legal obligations contained in section 54 and section 72 of the MFMA requires that Council consider and approve the adjustments budget.

1.2 SECTION 72 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT (LEGISLATIVE RESPONSIBILITIES)

(1) The accounting officer of a municipality must by 25 January of each year-

- (a) assess the performance of the municipality during the first half of the financial year, taking into account-
 - (i) the monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- (b) submit a report on such assessment to-
 - (i) the mayor of the municipality;
 - (ii) the National Treasury; and
 - (iii) the relevant provincial treasury.

(2) The statement referred to in section 71 (1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.

(3) The accounting officer must, as part of the review-

- (a) make recommendations as to whether an adjustments budget is necessary; and
- (b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

SECTION 28 MUNICIPAL ADJUSTMENTS BUDGETS

(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.

2. HIGH-LEVEL DISCUSSION / MOTIVATION

The adjustments in respect of the capital budget for 2016/17 will result in an increase of R5 784 966 which will increase the budget to R81 428 433. Capital projects which are already completed and of which the final expenditure are known, must be adjusted accordingly. Refer to **Annexure A** for the detail.

The adjustments in respect of the operating budget for 2016/2017 will result that we move from a budgeted deficit of R 12 139 579 to a budgeted surplus of R 11 753 115. The aforementioned was realized by further reducing inefficiencies and taking into consideration the performance for the mid-year ended 31 December 2016. Refer to **Annexure B** for the detail.

2.1 OPERATING EXPENDITURE

Operating expenditure decrease from R655 585 750 to R636 140 909. The decrease in operating expenditure was influenced in the main by the following:

1. Employee Related Costs -Wages & Salaries increase by R60 000 for the graduate internship programme for which the funding was received.
2. Impairment Losses decrease by R1 500 000 based on the 2014/2015 and 2015/2016 actuals.
3. Repairs and maintenance decrease by R840 000. This decrease is as a direct result of the swimming pool project moving to the capital budget and the saving on Tender 05/16/17 for the Upgrading of the Riebeek Wes Town Hall and Fencing of the Public garden.
4. Bulk purchases decrease by R6 221 212 due to a decrease in consumption as a result of water restrictions.
5. Grants and Subsidies Paid decrease by R30 000 due to the fact that it will not be paid out to the R27 HUB this financial year.
6. Inter Departmental charges decrease by R1 850 000 due to less consumption in water and electricity usage at the sewerage plants. Streetlights must decrease by R500 000 due to the energy efficiency lights that are being used.

- General expenses decrease by R9 063 629 as a result of the actual performance to date and past audited performance of various line items.

2.2 OPERATING REVENUE

Operating revenue increase from R643 446 171 to R647 894 024. The increase in operating revenue was influenced in the main by the following:

- Services charges: Revenue from Refuse Removal charges increase by R500 000 based on the mid-year performance and previous audit outcomes.
- Services charges: Revenue from Sewerage charges increase by R900 000 based on the mid-year performance and previous audit outcomes.
- A shift of R20 000 in budgets are required between the Corporate and Development Services for Rental of Facilities and Equipment.
- Interest earned on External investments increase by R6 500 000, due to the increased positive cashflow balance of the 2015/16 audited period.
- Grants and Subsidies: Operating decrease by R8 248 147. This is mainly due to the decrease in spending on the Phola Park Housing project and Planning/Refurbishment of the Municipal Flats that is both funded by Department of Human Settlements and will realize over 2 financial years in line with the project completing timeframes.
- Grants and Subsidies: Capital increase by R1 370 241 of which R1 300 000 is for INEP funded projects, R1 020 241 for Riebeeck Wes housing project and RSEP funded projects decrease by R950 000.
- Transfers Received increase by R333 000 which is the contribution already received from Pioneerfoods.
- Other revenue increase by R3 092 762 based on the mid-year performance and previous audit outcomes.

2.3 CAPITAL EXPENDITURE

(Self explanatory notes attached as **Annexure A**)

The effect of the adjustments on the finance sources are as follow:

SOURCES OF FINANCE	Original Budget	Roll-over Adjustment	Second Adjustment	Adjustments
Capital Replacement Reserve Fund (CRRF)	39 975 020	40 928 818	45 010 543	4 081 725
Municipal Infrastructure Grant (MIG)	20 330 000	20 330 000	20 330 000	-
Public Donations	666 000	666 000	999 000	333 000
Accelerated Community Infrastructure Programme (ACIP)	2 209 649	2 209 649	2 209 649	-
Dept. Cultural Affairs and Sport	3 084 000	3 084 000	3 084 000	-
Dept. of Human Settlements	-	-	1 020 241	1 020 241
Dept. of Environmental Affairs and Development Planning (RSEP)	6 325 000	6 325 000	5 375 000	-950 000
Integrated National Electrification Programme (INEP)	2 100 000	2 100 000	3 400 000	1 300 000
	R 74 689 669	R 75 643 467	R 81 428 433	R 5 784 966

RECOMMENDATIONS

(The following recommendations by the Budget Steering Committee held on 17 January 2017, considered by the Executive Mayoral Committee of 18 January 2017 and recommended)

- a) That the Director: Financial Services adhere to the statutory requirements of the MFMA and inform National and Provincial Treasury accordingly;
- b) That it be noted that the changes in the budget will have no impact on tariffs in respect of the 2016/2017 financial year but will result in a decreased deficit from –R 12 139 579 to a surplus of R 11 753 115;
- c) That it be noted that the 2016/2017 second adjustments budget does have an impact on the 2017/2018 operating budget as a result of the adjustment brought about by the Planning/Refurbishment of the Municipal Flats that will be completed in the 2017/2018 financial year;
- d) That the adjusted budget schedules as required by the Budget and Reporting Regulations be approved as set out in **Annexure C**;
- e) That the Service Delivery Budget Implementation Plan (SDBIP) be amended accordingly where appropriate;
- f) That approval be granted to amend the high-level capital and operating budget for 2016/2017 as follows:

	Original Budget 2016/2017	Roll-over Adjustment Budget	Second Adjustment Budget	Original Budget 2017/2018	Amended Budget 2017/2018
Capital budget	R 74 689 669	R 75 643 467	R 81 428 433	R 92 115 550	R 92 115 550
Operating Expenditure	R 654 711 941	R 655 585 750	R 636 140 909	R 701 640 184	R 710 101 971
Operating Revenue	R 641 914 085	R 643 446 171	R 647 894 024	R 698 162 497	R 706 624 284
Budgeted Surplus/ (Deficit)	(R 12 797 856)	(R 12 139 579)	R 11 753 115	(R3 477 687)	(R3 477 687)

(Die volgende aanbevelings deur die Begrotingsbeheer Komitee gehou op 17 Januarie 2017, is oorweeg deur die UBK van 18 Januarie 2017 en word aanbeveel)

AANBEVELING / BESLUIT

- (a) Dat die Direkteur: Finansiële Dienste voldoen aan die statutêre vereistes van die MFMA en dienooreenkomstig Nasionale en Provinsiale Tesourie inlig;
- (b) Dat dit in ag geneem moet word dat die veranderinge in die begroting geen impak op tariewe het ten opsigte van die 2016/2017 finansiële jaar nie, maar sal lei tot 'n afname in die tekort van
 - -R 12 139 579 na 'n surplus van R 11 753 115;
- (c) Dat dit in ag geneem word dat die 2016/2017 tweede aansuiweringsbegroting 'n impak het op die 2017/2018 finansiële jaar as gevolg van die aanpassing teweeggebring deur die Planning/Refurbishment of the Municipal Flats wat in die finansiële jaar 2017/2018 voltooi sal wees;

- (d) Dat die aangepaste begrotingskedules soos vereis deur die Begroting en Verslagdoening Regulasies goedgekeur word, soos in **Aanhangsel C** uiteengesit;
- (e) Dat die Dienslewering- en Begrotingsimplementeringsplan (SDBIP) toepaslik dienoooreenkomstig gewysig word;
- (f) Dat goedkeuring verleen word om die hoë-vlak kapitaal- en bedryfsbegroting vir 2016/2017 as volg te wysig:

	Oorspronklike Begroting 2016/2017	Oorrol Aansuiwerings -begroting	Tweede Aansuiwerings -begroting	Oorspronklike Begroting 2017/2018	Gewysigde Begroting 2017/2018
Kapitaalbegroting	R 74 689 669	R 75 643 467	R 81 428 433	R 92 115 550	R 92 115 550
Bedryfsuitgawe	R 654 711 941	R 655 585 750	R 636 140 909	R 701 640 184	R 710 101 971
Bedryfsinkomste	R 641 914 085	R 643 446 171	R 647 894 024	R 698 162 497	R 706 624 284
Begrote Surplus/ (Tekort)	(R 12 797 856)	(R 12 139 579)	R 11 753 115	(R3 477 687)	(R3 477 687)

AFSKRIFTE:

1. Best: Sekr & Rekords – plaas advertensie in plaaslike koerante
2. Begrotingskantoor/DF – vir aandag en afhandeling van aksies voortspruitend