



MKHAMBATHINI MUNICIPALITY

ADJUSTMENT BUDGET REPORT

2017/2018

Compiled in terms of Section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

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PURPOSE

To table to Council and request the approval of the adjustment budget based on the mid-year assessment performed by the municipality for the performance of its budget tabled to Council 30 January 2018

BACKGROUND

In terms of section 28 of the Municipal Finance Management Act 56 of 2003:

- (1) A municipality may revise an approved annual budget through an adjustments budget-
- (2) An adjustment 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 annual budget, but only to revise or accelerate spending programs already budgeted for;
 - (c) May, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
 - (d) May authorize the utilization of projected savings in one vote towards spending under another vote;
 - (e) May authorize 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 adjustment budget must be in prescribed form
- (4) Only the mayor may table an adjustment budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within a prescribed limitation as to timing or frequency.
- (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 year financial years; and

- (d) Any supporting documentation that may be prescribed.
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- (7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

REVENUE SECTION

Property Rates and Grants

There was no adjustment on grants. The projected income on rates had no adjustment as the billing shows an amount of R6,3 million (49%) as at 31 December against projected R13,4 million for the whole year.

Service Charges and other Revenue

The amount projected has been decreased after taking into account the actual figures as at 31 December 2017.

There was no significance change on the adjusted budget for revenue since the performance shows that revenue collection and billing on services is in line or slightly below or above the initial projected revenue as at 31 December 2017.

The schedule of revenue is as follows:

Details	Adjusted Budget 2017/18	Budget 2018/19	Budget 2019/20
GRANTS & SUBSIDIES			
National Government			
Equitable Share	51,173,000	53,219,920	55,348,717
Finance Management Grant	1,900,000	1,976,000	2,055,040
Intergrated National Electrification Progr	8,000,000	8,320,000	8,652,800
Public Works Intergrated Grant	1,089,000	1,132,560	1,177,862
	62,162,000	64,648,480	67,234,419
Provincial Government			
Provincialisation of Libraries	1,835,126	1,908,531	1,984,872
	1,835,126	1,908,531	1,984,872
Total Grants & Subsidies	63,997,126	66,557,011	69,219,291
ECONOMIC SERVICES			
Refuse Removal	530,500	551,720	573,789
Total Economic Services	530,500	551,720	573,789
ASSESSMENT RATES			
Rates - Revenue	14,981,680	15,580,948	16,204,185
Revenue Rates forgone	- 1,546,315	- 1,608,168	- 1,672,495
Total Assessment Rates	13,435,365	13,972,780	14,531,691
OPERATIONAL INCOME			
Tender Monies	102,583	106,687	110,954
Building Plan fees	367,300	381,992	397,272
Interest on outstanding debtors	1,247,777	1,297,688	1,349,596
Motor and Learners Licences	5,175,894	5,382,930	5,598,247
Sundry Income	455,691	473,919	492,876
Total Operational Income	7,349,245	7,643,215	7,948,944
INCOME			
Investments Interest	2,872,100	2,986,984	3,106,463
Total Income	2,872,100	2,986,984	3,106,463
TOTAL REVENUE	88,184,336	91,711,710	95,380,178

The provincial grant was adjusted compared to the initial amount of R1,3m which was projected in line with the provincial gazette but due to the roll-over approval for 2016/17 financial year of R1,04m. The grant for the year was then reduced from R1,3m to R0, 795m.

Expenditure

The expenditure for the municipality for 2017/2018 financial year with comparison figures for original annual budget and proposed adjusted budget can be summarized as follows:

Details of Operational Expenditure	Annual Budget 2017/18	Adjusted Budget 2017/18	Year 1 Budget 2018/19	Year 2 Budget 2019/20
Vote 1 - Executive and Council	10,126,378	10,903,735	11,932,241	12,619,329
Vote 2 - Finance Services	21,401,414	19,021,725	19,909,624	20,841,930
Vote 3 - Corporate Services	16,453,775	17,952,189	18,944,587	19,995,882
Vote 4 - Community Services	16,220,394	14,002,462	14,892,693	15,839,844
Vote 5 - Technical Services	22,560,380	26,018,963	27,838,455	29,785,201
	86,762,342	87,899,074	93,517,600	99,082,187

The adjustment on the expenditure was done to accommodate the Repairs and Maintenance which was implemented during the financial year due to ageing assets (infrastructure and community facilities). The expenditure items which were hugely affected by the write-up are as follows:

Councillors allowances has been increased to cater for the increment as per the gazette issued by the National Department for Co-operative Governance and Traditional Affairs.

Details	Final Budget 2017/18	Adjusted Budget 2017/18	Variance
Provision for Overtime	-	500,000	(500,000)
License Agency Fees (Licensing and Regulation)	258,046.00	1,300,000	(1,041,954)
Medical examinations	-	20,000	(20,000)
Provision of Strategic Planning	-	200,000	(200,000)
Repairs and maintenance (Mthayi roads)	-	500,000	(500,000)
Roads maintenance - Willow Pool road	1,591,500.00	1,863,792	(272,292)
Roads maintenance - Queen Elizabeth road	1,167,100.00	1,863,792	(696,692)
Maintenance of Municipal Buildings and Facilities	636,600.00	3,944,928	(3,308,328)
Repairs and Maintenance (Crèches/Engineering - Civil)	742,700.00	1,291,319	(548,619)
Repairs and Maintenance (Community Halls and Facilities)	742,700.00	1,120,000	(377,300)
	5,138,646	12,603,830	(7,465,184)

LEGAL IMPLICATIONS

- Municipality will be unable to pay some service providers due to unavailability of the budget and there will be possibilities of litigations.

FINANCIAL IMPLICATIONS

- Municipality will incur Fruitless and Wasteful expenditure because of non-payment due to availability of budget and the unauthorised expenditure will also increase.

KZN226 Mkhambathini - Table B1 Adjustments Budget Summary -

Description	Budget Year 2017/18									Budget Year +1 2018/19
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget
	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H	
R thousands										
Financial Performance										
Property rates	14,683	-	-	-	-	-	(0)	(0)	14,683	15,500
Service charges	531	-	-	-	-	-	-	-	531	560
Investment revenue	2,618	-	-	-	-	-	254	254	2,872	2,763
Transfers recognised - operational	63,487	-	-	-	-	-	510	510	63,997	66,738
Other own revenue	5,585	-	-	-	-	-	517	517	6,101	5,895
Total Revenue (excluding capital transfers and contributions)	86,903	-	-	-	-	-	1,281	1,281	88,184	91,456
Employee costs	32,247	-	-	-	-	-	(206)	(206)	32,040	34,149
Remuneration of councillors	5,398	-	-	-	-	-	14	14	5,413	5,717
Depreciation & asset impairment	6,100	-	-	-	-	-	-	-	6,100	6,300
Finance charges	196	-	-	-	-	-	(196)	(196)	-	207
Materials and bulk purchases	-	-	-	-	-	-	3,460	3,460	3,460	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	42,820	-	-	-	-	-	(534)	(534)	42,286	43,503
Total Expenditure	86,761	-	-	-	-	-	2,539	2,539	89,299	89,876
Surplus/(Deficit)	142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Capital expenditure & funds sources										
Capital expenditure	22,985	-	-	-	-	-	-	-	22,985	-
Transfers recognised - capital	16,285	-	-	-	-	-	-	-	16,285	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	6,700	-	-	-	-	-	-	-	6,700	-
Total sources of capital funds	22,985	-	-	-	-	-	-	-	22,985	-
Financial position										
Total current assets	35,673	-	-	-	-	-	(35)	(35)	35,638	42,552
Total non current assets	129,248	-	-	-	-	-	-	-	129,248	140,932
Total current liabilities	8,000	-	-	-	-	-	-	-	8,000	8,200
Total non current liabilities	-	-	-	-	-	-	-	-	-	-
Community wealth/Equity	156,887	-	-	-	-	-	2,423	2,423	159,309	175,284
Cash flows										
Net cash from (used) operating	22,609	-	-	-	-	-	(1,197)	(1,197)	21,413	27,813
Net cash from (used) investing	(22,985)	-	-	-	-	-	-	-	(22,985)	(24,352)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	36,884	-	-	-	-	-	(1,197)	(1,197)	35,688	39,149
Cash backing/surplus reconciliation										
Cash and investments available	25,263	-	-	-	-	-	-	-	25,263	33,142
Application of cash and investments	(1,436)	-	-	-	-	-	(362)	(362)	(1,799)	(517)
Balance - surplus (shortfall)	26,699	-	-	-	-	-	362	362	27,062	33,659
Asset Management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	5,836	-	-	-	-	-	4,607	4,607	10,442	6,180
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	1,546	-	-	-	-	-	-	-	1,546	1,632
Households below minimum service level										
Water:	1	-	-	-	-	-	-	-	1	1
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	0	-	-	-	-	-	-	-	0	0

KZN226 Mkhambathini - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2017/18									Budget Year +1 2018/19
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H	
Revenue By Source											
Property rates	2	14,683	-	-	-	-	-	(0)	(0)	14,683	15,500
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	531	-	-	-	-	-	-	-	531	560
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		2,618	-	-	-	-	-	254	254	2,872	2,763
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		78	-	-	-	-	-	0	0	78	82
Licences and permits		4,659	-	-	-	-	-	518	518	5,177	4,918
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		63,487	-	-	-	-	-	510	510	63,997	66,738
Other revenue	2	848	-	-	-	-	-	(1)	(1)	847	895
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		86,903	-	-	-	-	-	1,281	1,281	88,184	91,456
Expenditure By Type											
Employee related costs		32,247	-	-	-	-	-	(206)	(206)	32,040	34,149
Remuneration of councillors		5,398	-	-	-	-	-	14	14	5,413	5,717
Debt impairment		700	-	-	-	-	-	(100)	(100)	600	700
Depreciation & asset impairment		6,100	-	-	-	-	-	-	-	6,100	6,300
Finance charges		196	-	-	-	-	-	(196)	(196)	-	207
Bulk purchases		-	-	-	-	-	-	-	-	-	-
Other materials		-	-	-	-	-	-	3,460	3,460	3,460	-
Contracted services		-	-	-	-	-	-	28,086	28,086	28,086	-
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure		42,120	-	-	-	-	-	(28,520)	(28,520)	13,600	42,803
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		86,761	-	-	-	-	-	2,539	2,539	89,299	89,876
Surplus/(Deficit)		142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher)		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation		142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		142	-	-	-	-	-	(1,257)	(1,257)	(1,115)	1,580

RECOMMENDATIONS

- That Council takes note and adopt schedule B report attached
- That Council take note of the Provincial Treasury's assessment report on Mid-Year Assessment.
- That Council approves the adjusted budget for 2017/2018 financial year.
- That Municipal Manager to submit the 2017/2018 Financial Year Adjusted budget to the relevant stakeholders as per MFMA for approval.