

Table of Contents

1	Part 1 - Adjustment Budget	2
1.1	Mayor' report	2
1.2	Budget related resolutions	3
1.3	Executive summary	4
1.4	Adjustment budget tables	6
2	Supporting documentation	6
2.1	Adjustment to budget assumptions	6
2.2	Adjustment to budget funding	7
2.3	Adjustment to expenditure on allocations and grant programmes	7
2.4	Adjustment to allocations and grants made by the municipality	7
2.5	Adjustment to councilor allowances and employees benefits	7
2.6	Adjustment to Service Delivery and Budget implementation Plan (SDBIP)	7
2.7	Adjustment to capital expenditure	8
2.8	<i>Expenditure on allocations and grant programmes</i>	8
2.9	<i>Municipal Manager's quality certification</i>	8

1 Part 1 - Adjustment Budget

1.1 Mayor' report

In the previous approved budget we had advised that the cash collection rate may be impacted by the economic recession which the municipality and the rest of the country is experiencing. Operational efficiency in the municipality has improved with the result that expenditure spending pattern has improved compared to past trends. This improvement has however placed our cash resources under pressure.

As part of managing costs, reductions were made on those costs which are not necessary to incur immediately, or in the short term or can be deferred to the next financial year and increases made where it is necessary and warranted. The reductions affected cost items like congresses/lunches/professional meetings, repairs and maintenance, salaries and allowances. Increases affected fuel and MPRA rebates. The capital expenditure budget has been realigned to accommodate roll overs from the previous financial year, a modest increase of R3,3 million from the previous approved budget, decreases where there is evidence that project will not be started in the current year, deferment of projects where there is insufficient funds and increases where funds have been secured.

The Service Delivery and Budget Implementation Plan (SDBIP) has to be adjusted due to the realignment that has taken place on both the operational and capital expenditure budgets. This will affect service delivery targets and performance targets. The reviewed SDBIP will be submitted for the approval of the Executive Mayor.

The total budget of the municipality is R2,874 billion.

1.2 Budget related resolutions

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires that the municipality table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by Municipal Budget and Reporting Regulations

The following resolutions are put before council for tabling and approval:

THAT

1. The adjustments budget for the financial year 2009 - 2010 be approved as contained in the listed Tables B1 - B10 detailed below:
 - ❖ Table B1 - Adjustments Budget Summary
 - ❖ Table B2 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)
 - ❖ Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
 - ❖ Table B 4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)
 - ❖ Table B 5 - Adjustments Capital Expenditure by Vote, Standard classification and Funding
 - ❖ Table B 6 - Adjustments Budgeted Financial Position
 - ❖ Table B 7 - Adjustments Budgeted Cash Flow
 - ❖ Table B 8 - Cash backed reserves/Accumulated surplus reconciliation
 - ❖ Table B 9 - Asset Management
 - ❖ Table B 10 - Basic service delivery measurement

2. the SDBIP will be adjusted to reflect the adjustments made in the budget allocation and submitted for subsequent approval by the Executive Mayor.

1.3 Executive summary

Introduction

This MTREF 2009 - 2010 adjustments budget is prepared on a multi-year basis, in line with the MFMA Municipal Budget and Reporting Regulations.

Budget process

The Process Plan scheduling key deadlines was approved by council in August 2009 in compliance with the Municipal Finance Management Act. This document outlined the process of compilation of the Adjustments Budget for 2009 - 2010. Meetings were held with all the clusters to explain the process and deadlines required to produce their respective Process Plans.

Income

Some of the anticipated own revenue collection on trading service (e.g. water) and economic services has not materialised as projected. The result is that income has been adjusted downwards.

There are also instances where additional revenue has realised like equitable share and revenue from municipal property rates.

Under collection has been experienced from other sources that do not involve grant, trading and economic services.

Table B1 - Adjustments Budget Summary confirms the make up of the revenue sources of the municipality. The total revised revenue is R 2,874 billion.

Expenditure

Indigent support costs was significantly reduced due to the continuing clean up of the indigent register. It was established that provision for 50 000 indigents was overstated as many of the people in the register did not qualify in terms of the criteria authorised by council. The cleaning up of the indigent register showed that only about 22 000 households qualify are currently registered and verified. This is far less than

the original amount of 50 000 indigent households anticipated. The lower number has resulted in the reduction of the cost of indigent support to R94 million.

Capital expenditure

Capital expenditure is adjusted upwards to a budget of R364 million. The modest increase was achieved through realignment, reallocations and accommodating the roll overs from the previous financial year. Actual cash income and expenditure in the first six months of the current financial year showed that adjustments have to be made to keep the capital expenditure budget to a modest R364 million (Adjusted Budget) from R360 million (Original Budget).

The adjustments were made in the main to internally funded projects. The realignment was made to accommodate the roll overs from the previous financial year and ensure that cash flows are adequate to fund current projects.

Funding of the adjustments budget

The adjustments budget has excluded income sources to the extent that information or evidence is available that the revenue may not materialise. Using the criteria, revenue sources like the Neighbourhood Partnership Development Grant were eliminated from the budget and under collection in the economic services have resulted in downward adjustment of the revenue line items.

Maintaining the budgeted collection rate will be a challenge. Plans are afoot to undertake programmes to encourage higher payment levels by the residents of Emfuleni, the business sector, and government departments.

Property Rates

Revenue and rebates had to be adjusted due to additional households that were added to the Valuation Roll. Additional rebates had to be given in respect of vacant land.

1.4 Adjustment budget tables

- ❖ Table B1 - Adjustments Budget Summary
- ❖ Table B2 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)
- ❖ Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)
- ❖ Table B 4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)
- ❖ Table B 5 - Adjustments Capital Expenditure by Vote, Standard classification and Funding
- ❖ Table B 6 - Adjustments Budgeted Financial Position
- ❖ Table B 7 - Adjustments Budgeted Cash Flow
- ❖ Table B 8 - Cash backed reserves/Accumulated surplus reconciliation
- ❖ Table B 9 - Asset Management
- ❖ Table B 10 - Basic service delivery measurement

2 Supporting documentation

2.1 Adjustment to budget assumptions

- ❑ The approved tariffs increases did not change in the adjustments budget, except for the adjustment to the rebates on vacant land.

- ❑ Cash collection for the six month period up to December 2009 was compared to the cash used to pay for services rendered up to the same period. This comparison showed cash flows are under pressure from collections and expenditure sides. Cash outflows exceeded cash inflows for the six month period.

- ❑ Budgeted allocations were also compared to actuals for the same period. Adjustments were made upwards or downward depending on the variance reflected by the information available.

- ❑ Where there is overwhelming evidence or justification that an allocation for income or expenditure must be provided for this was accommodated in the adjustments budget.

2.2 Adjustment to budget funding

The sources of funding of the municipality's budget have not changed in the current financial year. As reported the adjustments budget is mainly funded by revenue from services rendered and grant funding as set out in Division of Revenue Act (DORA) and the Provincial Gazette.

Refer to table B4 for the detailed information.

2.3 Adjustment to expenditure on allocations and grant programmes

Details relating to this section have been captured above in the section on Executive Summary (1.3).

2.4 Adjustment to allocations and grants made by the municipality

The municipality has not provided for making any allocations or grants to any institutions.

2.5 Adjustment to councilor allowances and employees benefits

The budgeted amount for employee benefits has been adjusted downwards. Savings have realized from the lower approved percentage increase in councilor remuneration of 7% compared to the original budgeted 13%, and delays in the filling of vacancies, which will need to be reprioritized.

2.6 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)

The Accounting officer will submit for approval by the Executive Mayor revised SDBIP's based on the adjustments being approved.

2.7 Adjustment to capital expenditure

Capital expenditure has increased marginally due to incorporation of the roll overs.

2.8 Expenditure on allocations and grant programmes

The table A#1 below depicts the changes to allocations for the current financial year against the MTERF budget period.

	Adjustments 2009/10 Medium Term Revenue & Expenditure Framework			
Detail	Budget Year 2009/10	Adjustment Budget 2009 - 2010	Budget Year 2010/11	Budget Year 2011/12
National Government				
Equitable share	388,199,000	398,199,000	485,954,000	531,822,000
Neighbourhood Development Partnership Grant (Capital Grant)	25,000,000	-	-	-
Social Development	6,500,000	1,000,000	-	
Sub Total	419,699,000	399,199,000	485,954,000	531,822,000
Provincial Treasury - Intern	141,000	-		
Sub-Total	141,000			

2.9 Municipal Manager's quality certification

The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustments Budget approved by Council at the end of January 2010.