

2006/2007 BUDGET ADJUSTMENT (FILE NO5//1/1/7)

REPORT OF THE ACTING CHIEF FINANCIAL OFFICER

PURPOSE OF THE REPORT

The purpose of the report is to obtain Council's approval for the Budget Adjustment for the 2006/7 financial year.

BACKGROUND

In terms of section 28 of the MFMA, a municipality may revise an approved annual budget through an adjustments budget.

DISCUSSION

Council approved the 2006/7 Annual Budget per item A025/2006 dated 31 May 2006. A mid year assessment was carried out based on the actual figures for the period ending 31 December 2006. The Budget Adjustment is required due to the following:

- conditional grants received
- unspent conditional grants from the previous financial year
- increase in operating expenditure (forensic audit)
- projects rolled over from the previous year

The Adjustment Budget is discussed as follows:

Operating Budget

Council approved an operating budget amounting to R45 082 430 excluding the IDP operating projects. The report for six months ending 31 December 2006 indicates that Council has collected 70.09% of the revenue and that Council has spent 32.98% of the operating expenditure. Attached per Annexure A and B are the operating summaries.

During the financial year, Council received conditional grants that were not provided in the budget. In addition, certain conditional grants were unspent at the end of the previous financial year. The expenditure on these grants must be accommodated in the current financial year.

The following conditional grants were received during the year:

1. Umsobomvu Youth Fund (Executive Mayor's Office)
A grant amounting to R1.8 million will be received. The first instalment amounting to R900 000 was received. The grant will be utilised for the funding of the youth advisors employed in the various local municipalities. The expenditure to be incurred on the grant will be included in the Executive Mayor's Office.
2. DBSA grant (Finance)
Two grants amounting to R150 000 and R415 800 was received from the DBSA. The grant will be utilised for the assessment of officials in the finance departments of the district and the local municipalities as well as implementation of the training program. The expenditure incurred on the grants will be included in the Finance department.
3. Unspent MSIG grant (PIMSS)
An amount of R672 695 was unspent on the Municipal Systems Improvement Grant from the previous financial year. The grant is utilised to fund the PIMSS unit and provide support on the IDP to the local municipalities within the District. The expenditure incurred on the grant will be included in the PIMSS department.
4. Unspent MIG (Technical)
An amount of R7 982 635 was unspent on the Municipal Infrastructure Grant from the previous financial year. The grant is utilised to implement infrastructure projects in the local municipalities. Attached per Annexure C is the list of the MIG projects that are implemented by the local municipalities. The expenditure incurred on the vote will be included in the Technical department.

Operating expenditure

Council has resolved that a forensic audit be carried out. It is estimated that the total cost would amount to R1 million which will be split over two years. The amount of R500 000 for the current year will be allocated to the Municipal Manager's vote

Projects rolled over

Section 28(e) of the MFMA reads as follows:

“an adjustment budget may authorise the spending of funds that were unspent at the end of the financial year where the under-spending could not reasonably have been foreseen at the time to include projected rollovers when the annual budget for the current year was approved by the council”

An amount of R10 730 953 was rolled over from the previous financial year and this was not included upon approval of the current budget. The unspent amount was further adjusted due to the projects that are completed or have been referred to the next financial year (R4 660 013). The adjusted unspent amount to R6 070 940. The projects are in the process of being implemented and should be completed by the end of the financial year. Attached per Annexure D is the list of projects that were rolled over from previous financial years.

Fire fighting tariffs

During the audit for the year ending 30 June 2006, the auditors raised concern that fire fighting tariffs are implemented in certain of the local municipalities and these tariffs are only approved by the local municipalities but should also be approved by the District. Modimolle and Lephalale municipalities have no tariffs. Attached per Annexure F is the list of fire fighting tariff per local municipality.

RECOMMENDATIONS

1. That the report by the Acting Chief Financial Officer regarding the Budget Adjustment for the 2006/2007, as contained in the agenda be noted.
2. That Council approve the amendments to the current budget as indicated per Annexure “E”.
3. That Council approve the fire fighting tariffs implemented in the various local municipalities for the 2006/07 as indicated per Annexure “F”.

ANNEXURE F	
NAME	FIRE FIGHTING TARIFF
Mogalakwena Municipality	Major pump: First ½ hr or part thereof @ R90 Following ¼ hr or part thereof @R48 Water used @ R40-93/13kl (Vat incl) @ R6-27/2kl (Vat incl) Travelling cost @ R12-00 per km Medium pump: First ½ hr or part thereof @ R72 Following ¼ hr or part thereof @R36 Water used @ R6-27/2kl (Vat incl) Travelling cost @ R12-00 per km Utility vehicle: First ½ hr or part thereof @ R20 Following ¼ hr or part thereof @ R10 Travelling cost @ R2-00 per km Material used replacement cost: Foam concentrate @ R15 per kl Dry chemical powder @ R25 per kg
Mookgopong Municipality	Within the Municipality For the first half hour or part thereof @ R136.00 There-after for every 15 minutes or part thereof @ R68.00 Outside the Municipality For the first hour or part thereof @ R253.00 There-after for every 15 minutes or part thereof @ R127.00
Bela Bela Municipality	(All Vat Exclusive) Within Municipal boundaries Protection services - R30.00 per man-hour or part thereof Call-out fees - R45.00 per hour or part thereof Material - Water at Municipal tariff Chemicals and other material at cost plus 10% Outside Municipal boundaries Protection services - R32.00 per man-hour or part thereof Call-out fees - R180.00 per hour or part thereof Material - Water at Municipal tariff Chemicals and other material at cost plus 10% Removal of liquid material Light pump @ R22.00 for the first hour @ R8.00 for each quarter of an hour thereafter

	Medium pump @ R30.00 for the first hour and @ R8.00 for each quarter of an hr thereafter Heavy pump @ R35.00 for the first hour and @ R10.00 for each quarter of an hr thereafter Use of fire hoses @ R8.00 per one length per day
Thabazimbi Municipality	Within Municipal area For the first hour or part thereof @ R300.00 For each subsequent hour of part thereof, plus expenses in respect of water or chemicals used @ R90.00 Each additional machine or pump per hour or part thereof @ R90.00 Outside municipal area For the first machine or pump per hour or part thereof @ R900.00 For each additional machine or pump per hour or part thereof @ R435.00 For the forward and return journey of each machine per km or part thereof @ R52.00 For the application of the charges payable, time shall be calculated from the time the machine leaves the fire station until their return Removal of water For the use of a pump other than for fire fighting purpose: Cost +20% For the use of fire hoses per length @ R26.50 Protection duties Per fireman per performance: provided that between 24h00 and 06h00 double the tariff shall be charged @ R100.00 Fire extinguishers and fire hoses Inspection, testing, refilling and cleaning of the extinguisher: Cost +20% Fire hoses - Testing per length @ R34.00 - Reparation of hoses per patch @ R34.00 Testing of fire reels @ R34.00 Special services Services rendered by an officer per hour or part thereof: Cost +20%