

ITEM 01
ADJUSTMENTS BUDGET 2009 – 2010 8/2/1 2009- 2010

PURPOSE

The purpose of this report is to present the 2009 - 2010 adjustments budget for inputs and to recommend it to Council for tabling and approval in terms of section 28 of the Municipal Finance Management Act No.56 of 2003.

BACKGROUND

The Municipal Finance Management Act (MFMA) directs that a municipality may only incur expenditure in terms of the approved budget which must be approved annually before the start of the budget year.

Section 28 of the Municipal Finance Management Act sets out the conditions for the tabling and adoption of an **Adjustments Budget**.

The Section reads, in part:

“Municipal adjustments budget

28. (1 A municipality may revise an approved annual budget through an adjustments budget.

(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.”*

DISCUSSION

Attached as Annexure (pages 4 - 18) is the Adjustment Budget as outlined in tables B1 – 10, supporting tables SB1 – SB19 Annexure (pages 19 – 42) and including notes attached to the Adjustment Budget as Annexure (pages 43 - 50)

The major adjustments can be explained as follows:

Income

Adjustments budget revenue for capital and operations is R2,874 billion. The increase in income is the nett effect of the increases and the decreases. Examples of the increases and the decreases are detailed below.

Examples of additional allocations

- Electricity - R77,793,758
- Warning services – R600,000
- Equitable share - R10,000,000
- Municipal Property Rates Act - R25,000,000
- Cemeteries - R5,000,000

Examples under collection

Trading and economic services

- Refuse removal – R8,182,723
- Sewerage – R32,240,000
- Water – R30,000,000

Under collection - Other

- Interest income – R13,769,121
- Rental facilities and equipment – R7,450,000
- Industrial effluent - R1,000,000
- Building Plans – R1,000,000
- Gauteng Provincial Treasury Intern grant – R141,000
- Neighbourhood Partnership Development Grant – R25,000,000

Expenditure

Adjustments budget operational expenditure allocation is R2,510 billion. The decrease in expenditure allocation is the nett effect of the increases and the decreases. Examples of the increases and the decreases are detailed below.

Operational - increases

- Income foregone on MPRA – R32,000,000
- Fleet Fuel – R4,000,000

Operational – decreases

- Repairs and maintenance – R7,889,812
- Salaries and allowances – R6,778,064
- Congresses, lunches, professional meetings – R1,336,622
- Contracted services R 7,056,000
- Indigent support – R71,249,552
- Lease agreements – R18,968,517
- Special projects – R23,264,161
- Management fees – R3,700,000

Capital

- Grant roll overs – R47,805 million

EXPENDITURE MANAGEMENT AND RESTRICTION

The municipality is not collecting revenue as anticipated in the current approved budget. Evidence is available that expenditure incurred from July 2009-December 2009 exceeds revenue collected for the same period. In anticipation to a possible cash flow crunch the municipality has set out to manage the following expenditure items listed below:

- Local and international trips will be limited except with specific authorization from the Municipal Manager (Accounting Officer)
- There will be no branding until June 2010
- Catering only allowed for SMT, Section 80, Mayco and Council and is limited to only finger lunches
- Deviations **MUST** be reduced
- Special Projects **MUST** be reduced.
- No clothing to be purchased (T-shirts, jackets, tracksuits, etc)
- No corporate gifts to be purchased until June 2010
- Meetings, workshops, strategic sessions must not be held at outside venues

COMMENTS OF SENIOR MANAGEMENT

The report did not serve at Senior Management Team Meeting.

RECOMMENDED THAT

1. the adjustments made to the 2009 – 2010 Budget be noted and
2. the Adjustments Budget for the financial year 2009 – 2010 contained in the listed Tables B1 – B10 detailed below be approved
 - ❖ 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
3. the costs line items stated below be managed and restricted up to the end of current financial year:

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- There will be no branding until June 2010
- Catering only allowed for SMT, Section 80, Mayco and Council and is limited to only finger lunches
- Deviations **MUST** be reduced
- Special Projects **MUST** be reduced.
- No clothing to be purchased (T-shirts, jackets, tracksuits, etc)
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- Meetings, workshops, strategic sessions must not be held at outside venues