

REPORT TO COUNCIL: 27 FEBRUARY 2012
OFFICE OF THE EXECUTIVE MAYOR

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Author: ZN/af
Executive Mayor

2011/12 MID-YEAR ADJUSTMENT BUDGET

1. PURPOSE

The purpose of the report is for Council to consider and approve the 2011/12 mid-year adjustment budget.

2. AUTHORITY

The report is submitted in terms of the Municipal Finance and Management Act (MFMA) No. 56 of 2003 and Municipal Budget and Reporting Regulations.

3. STATUTORY REQUIREMENTS

In terms of Chapter 4 Sections 28(1) to (7) of the Municipal Finance Management Act No. 56 of 2003,

“(1) A municipality may adjust an approved budget through an adjustment 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, 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 council.

(f) may correct any errors in the annual budget; and

(g) may provide for any other expenditure within a prescribed framework.”

In terms of MFMA Municipal Budget and Reporting Regulations, Regulation 23

“(1) an adjustments budget referred to in Section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.”

4. BACKGROUND

On 30 June 2011, Council adopted the 2011/2012 MTREF Budget. Subsequently, on 5 October 2011 Council approved a 2011/2012 first MTREF Adjustment Budget which was necessitated in terms of MFMA Municipal Budget and Reporting Regulations, regulation 23(5) in order to roll-over 2010/11 unspent operating and capital projects budgets funded from Unconditional Grant Funding.

The mid-year budget adjustment is being prepared as informed by the Mid-Year Budget and Performance Assessment and the following adjustments have been identified in terms of Section 28(2) of the MFMA:

5. EXPOSITION OF FACTS

Exposition of Facts is contained in the Buffalo City Metropolitan Municipality 2011/2012 Mid-Year Adjustment Budget Report attached as Annexure A, which has been prepared in terms of MFMA Municipal Budget and Reporting Regulations, Schedule B and National Treasury Guidelines.

6. CHALLENGES

- (a) The performance of the Water Service has been an ongoing challenge due to major water losses, system losses and non-billing of consumers and is currently cross-subsidized by rates and electricity services.

BCMM is currently undertaking a data cleanup exercise to identify properties that are not billed for various services. A task team between the Engineering Department and Finance has been established to address the challenge of losses in water revenue, which includes ensuring that all installed meters are captured on our financial system. The Finance Directorate is in the process of increasing the number of meter readers from 62 to 100 to ensure that all meters are read monthly and accurately billed.

(b) BCMM is currently faced with the challenge of poor performance due to:

- Lack of integrated planning of the service departments;
- Lack of project management skills;
- Failure to prepare effectively for multi-year budgeting.

In the development of the 2012/13 MTREF budget each Directorate should clearly indicate their state of readiness of each project before it is included in the budget e.g. availability of land, availability of bulk infrastructure services, EIA approvals etc.

7. FINANCIAL IMPLICATIONS

7.1 The adjustments to the 2011/12 Mid-Year Adjustment Budget do not have an impact on tariffs as these are funded from current savings and 2010/11 conditional grants rollover funding.

7.2 An adjustment of the 2011/12 Operating Budget to R3,4 billion. The major contributing factor to the adjustment on the Operating Budget is the adjustment to projects funded from the Human Settlement Development Grant (HSDG) by R197,7 million.

7.3 An adjustment of the 2011/12 Capital Budget to R725,6 million. The major contributing factors are listed below:

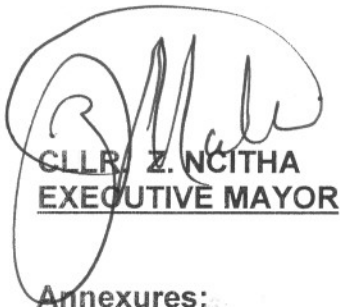
- **PTIS** – has been adjusted downwards by R80 million.
- **USDG** – has been adjusted downwards by R44,3 million.
- **HSDG** – has been adjusted downwards by R16,4 million.

7.4 The effects of the adjustments to the 2011/12 Capital and Operating Budget are outlined below:

- A decrease in the Operational Budget of R229,681,196 from R3,678,049,783 to R3,448,368,587.
- A decrease in the Capital Project Budget of R94,575,017 from R820,221,400 to R725,646,383.

8. **RECOMMENDATIONS**

Council should adopt this report in terms of Council Resolutions that are contained in Annexure A - Part 1 – Section 2, which have been prepared in compliance with Municipal Budget and Reporting Regulations, Schedule B.



CLLR/ Z. NCITHA
EXECUTIVE MAYOR

Annexures:

1. Annexure "A" - BCMM 2011/2012 Mid-Year Adjustment Budget Report
2. Annexure "B" - Letter from National Treasury for application for roll-over of unspent Conditional grants for the 2010/11 financial year
3. Annexure "C" - 2011/12 Operating Projects with Adjustments
4. Annexure "D" – 2011/12 Capital Projects with Adjustments
5. Annexure "E" - All 2011/12 Operating Projects
6. Annexure "F" – All 2011/12 Capital Projects