MSUNDUZI MUNICIPALITY

REPORT BY THE ADMINISTRATOR

FOR

EXECUTIVE COMMITTEE

Date: 19 May 2010

Our Ref: S12

ADJUSTMENT BUDGET FOR 2009/10 FINANCIAL YEAR

1. PURPOSE

To submit the Adjustment Budget for 2009/2010 to the Executive Committee and Full Council for approval

2. BACKGROUND

Msunduzi Municipality was put under section 139(1)(b) of the Constitution on 11 March 2010. As such the Administrator intervened on various levels of the Municipality and did not accept some of the contents of the first cut of the Adjustment Budget early in March 2010.
For obvious reasons the Adjustment Budget was not accepted and or approved at that time. Therefore, the decision was taken by the Administrator to re-do the Adjustment Budget for 2009/2010 for presentation to Exco during May 2010.

3. DISCUSSION

3.1 Operating Budget 2009/2010

Item	Original Budget	Adjustment Budget	Variance
Revenue	2 083 059 805	2 102 753 117	1 9 693 312
Expenditure	2 081 432 456	2 624 744 010	(543 311 554)
Surplus (Deficit)	1 627 349	(521 990 893)	(523 618 242)
Capital Projects Outstanding		(50 844 810)	
Total Deficit		**(572 835 703)**	

The table above reflects that the municipality has overspent its operating budget by R 523.62m. The major contributors are as follows:

3.1.1 Revenue

The municipality recorded bad debts of R 433.67m in the current financial year. This was mainly due to the drop in the collection rate.

3.1.2 Employee Related Costs

Overtime budget for the year has been overspent by R18. 46m. The main reason being the excessive claims by staff and poor management in this area of concern.

3.1.3 Bulk Purchases

An additional amount of R45.19m has been incurred for bulk purchases for electricity and water.

3.1.4 Interest Charges

An additional amount of R13.6m was incurred on interest related costs.

3.1.5 Equitable Share

An additional amount of R 6.35m has been allocated to the Msunduzi Municipality. This additional funding seeks to compensate the municipalities for the impact of the rising cost of providing free basic services particularly electricity for the 2009/10 financial year.

3.2 Council Funded Capital Projects

Capital funded projects have been reduced from R 201.43m to R 134.04m due to the shortage of funds. The municipality has an obligation to pay R 50.84m for council funded projects before the end of the financial year.

3.3 Other Capital Grants

3.3.1 Neighborhood Development Partnership Grant

This capital grant programme has been reduced from R 8.0m to nil for the Msunduzi Municipality. The reason stated by the National Treasury for this reduction is to allow for increased attention to planning issues by municipalities, to facilitate better project implementation and the provision of appropriate technical capacity.

3.3.2 Department of Transport

An amount of R 5.43m is included under Department of Transport funding. The main objective of this project is to plan, establish, construct and improve new and existing public transport and non-motorised transport infrastructure and systems.

3.3.3 Freedom Square Tourism Hub

Grant funding of R 483 555 allocation received from the KwaZulu-Natal Provincial Administration The purpose of this project is to develop a tourism hub that will serve the Pietermaritzburg CBD and significantly attract tourism activities into the city

3.3.4 Upgrading of Library

Funding of R 247 204 has been received from the Carnegie Corporation for the purchase of furniture for the lending library

3.3.5 Department of Housing

An amount of R 2.0m has been provided by the Department of Housing for services rendered by the Msunduzi Municipality.

4. COMMUNICATION IMPLICATIONS

The Adjustment Budget needs to be approved and communicated to all role Players.

5. RECOMMENDATION

- That the Executive Committee recommends to the Full Council the 2009/2010 Adjustment Budget for approval
- That the total Capital budget for the 2009/2010 financial year be reduced from R 327.34m to R 263.00m
- That the Income and Expenditure for the Operating budget for the 2009/2010 financial year be increased by R 523.62m
- It is recommended that the Administrator CONSIDERS/SUPPORTS/APPROVES the proposal as tabled above.

THE ADMINISTRATOR
Enquiries: Mr. J Mettler

Annexure A-Operating Estimates Summary

Annexure B-Capital Expenditure Summary by Funding Source

Annexure A

Msunduzi Municipality
High Level Summary for Adjustments Budget 2009/10

	Last Year	This Year	This Year	
Description	Actual- (2008/9)	Original Budget(2009/10)	Adjustment Budget(2009/10)	Variance
Operating Revenue				
Rates	378,556,015	405,500,000	405,500,000	0
Sale of Electricity	627,506,504	803,737,192	803,737,192	0
Sale of Water	213,920,408	209,638,005	209,638,005	0
Sewerage	68,432,384	69,176,113	69,176,113	0
Refuse	42,579,578	50,189,202	50,189,202	0
Airport	2,621,868	6,212,497	6,212,497	0
Market	10,459,592	14,632,100	14,632,100	0
Forestry	15,339,356	11,286,220	11,286,220	0
Equitable Share	187,098,867	199,824,000	206,177,691	-6,353,691
Arrear Rates & Penalties	20,581,029	33,906,200	33,906,200	0
Fines	14,246,279	8,808,324	8,808,324	0
Rental Income	15,030,087	18,298,212	18,298,212	0
Grants & Subsidies	137,341,492	49,470,905	60,373,360	-10,902,455
Fire Dept Tariff Income	689,431	500,000	500,000	0
Burials & Cremations	1,188,207	3,885,677	3,885,677	0
Building Plans	1,730,706	1,661,749	1,661,749	0
Reconnection Fees	7,088,028	7,220,534	7,220,534	0
Training Levy Recovery	2,025,279	900,000	900,000	0
MIG - PMU Unit Income	1,689,010	2,404,250	4,832,716	-2,428,466
Interest Accrued	41,342,137	19,811,757	19,811,757	0
Interest on Investments	17,069,640	12,682,277	12,682,277	0
Land Sales	0	10,430,018	10,430,018	0
Other Income	33,495,039	142,884,573	142,893,273	-8,700
Total Revenue Raised	1,840,030,934	2,083,059,805	2,102,753,117	-19,693,312
Operating Expenses				
Employee Costs	594,306,242	622,499,469	634,910,404	-12,410,935
Bulk Purchases	636,770,849	739,902,377	785,093,099	-45,190,722
General Expenses	410,266,795	414,514,528	402,332,975	12,181,553
Repairs & Maintenance	77,379,164	74,834,686	69,255,951	5,578,735
Lease Charges	1,821,726	3,791,458	3,791,458	0
Interest Charges	57,421,392	78,953,349	92,504,582	-13,551,233
Direct Operating Expenses	1,777,966,168	1,934,495,867	1,987,888,468	-53,392,601
Bad Debt Provision	10,000,000	10,000,000	433,670,936	-423,670,936
Other Indirect Operating Exper	48,036,873	136,936,589	203,184,606	-66,248,017
Total Indirect Operating Expen	58,036,873	146,936,589	636,855,542	-489,918,953
Total Expenses	1,836,003,041	2,081,432,456	2,624,744,010	-543,311,554
Revenue vs Expenses Surplus/(Shortfall)	4,027,894	1,627,349	(521 990 893)	(523 618 242)

Annexure B

Msunduzi Municipality

Capital Expenditure Summary by Funding for 2009/10

Funding Source	Original Budget(2009/10)	Adjustment Budget (2009/10)	Variance
Council	201,427,600	134,035,688	67,391,912
Department Of Transport	7,737,000	13,169,395	-5,432,395
Department Of Minerals and Energy	12,000,000	12,000,000	0
INEP	6,573,000	6,573,000	0
NDPG	8,000,000	0	8,000,000
Municipal Infrastructure Grant	91,605,682	91,605,682	0
Approved Budget 2009/2010	**327,343,282**	**257,383,765**	**69,959,517**
KZNPA	0	608,505	-608,505
Carnegie	0	247,204	-247,204
Other Council Funding	0	0	0
Department of Housing	0	4,762,715	-4,762,715
Total Capital Budget	**327,343,282**	**263,002,189**	**64,341,093**

Capital Expenditure Summary by Business Unit

Strategic Business Unit	Original Budget(2009/10)	Adjustment Budget (2009/10)	Variance
Financial Services	725,000	4,974,354	-4,249,354
Community Services	55,518,080	46,015,534	9,502,546
Development Services	20,050,000	5,284,410	14,765,590
Infrastructure Services	230,047,602	202,184,265	27,863,337
Corporate Services	11,410,000	431,137	10,978,863
Corporate Business Unit	9,592,600	4,112,489	5,480,111
Approved Budget 2009/2010	**327,343,282**	**263,002,189**	**64,341,093**

Annexure B

Capital Expenditure Funding by Business Unit

Strategic Business Unit	Original Budget(2009/10)	Adjustment Budget (2009/10)	Variance
Corporate Business Unit	**9,592,600**	**4,112,489**	5,480,111
Council Funding	9,592,600	4,112,489	5,480,111
Financial Services Total	**725,000**	**4,974,354**	**-4,249,354**
Council Funding	725,000	4,974,354	-4,249,354
Community Services Total	**55,518,080**	**45,518,178**	**9,999,902**
Council Funding	38,170,000	31,277,352	6,892,648
MIG Funding	17,348,080	14,240,826	3,107,254
Development Services Total	**20,050,000**	**4,800,855**	**15,249,145**
Council Funding	12,050,000	4,800,855	7,249,145
NDPG Funding	8,000,000	0	8,000,000
Infrastructure Services Total	**230,047,602**	**197,546,752**	**32,500,850**
Council Funding	129,480,000	88,439,501	41,040,499
DOT Funding	7,737,000	13,169,395	-5,432,395
DME Funding	12,000,000	12,000,000	0
INEP Funding	6,573,000	6,573,000	0
MIG Funding	74,257,602	77,364,856	-3,107,254
Corporate Services Total	**11,410,000**	**431,137**	**10,978,863**
Approved Budget 2009/2010	**327,343,282**	**257,383,765**	**69,959,517**
KZNPA	0	608,505	-608,505
Carnegie	0	247,204	-247,204
Other Council Funding	0	0	0
Department of Housing	0	4,762,715	-4,762,715
Total Capital Budget	**327,343,282**	**263,002,189**	**64,341,093**

2. **ADJUSTMENT BUDGET: 2009/2010 (3.7.1[2009/2010])** 4.10

Exco Committee 19.05.10

Report dated 19 May 2010 by the Administrator.

(Tabled at the meeting)

It was

RESOLVED TO RECOMMEND TO THE FULL COUNCIL

ACTION BY

(a) That the Adjustment Budget: 2009/2010 as reflected in the report dated 19 May 2010 by the Administrator be approved and adopted. CO

(b) That the total Capital Budget for the 2009/2010 financial year be reduced from R327.34 million to R263.00 million.

(c) That the Income and Expenditure for the Operating Budget for the 2009/2010 financial year be increased by R523.62 million.

(d) That it be noted that the Administrator approves and the Executive Committee supports the proposals as reflected in (a) to (c) above.

3. **THE 2009/2010 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) ADJUSTMENTS BUDGET AND THE 2010/2011 MTREF BUDGET (3.7.1[2009/2010])** 4.10

Exco Committee 11.03.10

Report dated 3 March 2010 by Financial Advisor.

(Tabled at meeting)

It was

RESOLVED

(a) That the Accounting Officer (Municipal Manager) must achieve a significant and/or major improvement with regards to the procedures and processes that must be adhered to in the 2010/2011 Revision of the Integrated Development Plan (IDP), Medium Term Revenue and Expenditure Framework (MTREF) Budget and the Service Delivery Budget Implementation Plans (SDBIPs); noting that the National Treasury resolutions recently adopted substantiate this demand.

(b) That the proposed solutions contained in the report dated 3 March 2010 by the Financial Adviser be considered by the Management Committee with a view to implementation as a matter of priority.

(c) That the Legal Adviser, in consultation with the Head: Supply Chain Management Unit, submit a report on the circumstances in which the contract for the debt collection consortium was awarded.

(d) That the Deputy Municipal Manager: Financial Services, in consultation with the Head: Supply Chain Management Unit and Deputy Municipal Manager: Corporate Services, revisit the contract awarded for the reading of meters and the disconnection of meters; with a view to discontinuing the contract and the functions reverting to the relevant business units, to be carried out by staff members, and that a report be submitted to the Executive Committee on the outcome of these investigations.

It was