

ITEM:

REPORT OF THE CHIEF FINANCIAL OFFICER

2008/2009 BUDGET ADJUSTMENT

PURPOSE OF THE REPORT

The purpose of the report is to obtain Council's approval for the Budget Adjustment for the 2008/9 financial year.

STATUTORY/LEGAL REQUIREMENT

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

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

Council approved the 2008/9 Annual Budget per item A212/2008 dated 29 May 2008. A mid year assessment was carried out based on the actual figures for the period ending 31 December 2008. The Budget Adjustment is required due to the following:

- conditional grants received
- increases and savings in operating expenditure
- projects rolled over from the previous year
- adjustments to the 08/09 IDP

The Adjustment Budget is discussed as follows:

Operating Revenue

Council approved budgeted revenue of R 75,280,800.

During the financial year, Council received conditional grants that were not provided in the budget. The expenditure on these grants must be accommodated in the current financial year.

The following conditional grants were received during the year:

1. Municipal Health Grant (Social Development and Community Services Department)
2. LG SETA grants (Corporate Support and Shared Services Department)

Certain grants rolled over from the previous financial year was utilised during the current year for which the income has to be disclosed according to GAMAP/GRAP requirements and therefore the budgeted income will increase with the following grants:

1. MIG (Infrastructure Development Department)
2. Disaster grant (Fire Fighting Department)
3. Transport Grant (Planning & Economic Development Department)

The total adjustment to revenue is R 9,671,563 bringing the total budgeted revenue after adjustment to R 84,952,363.

Please see explanations attached after Annexure A.

Operating expenditure

Council approved an operating budget amounting to 60,822,479 excluding the IDP operating projects. The total downward adjustment to operating expenditure is R 2,517,582 bringing the total budgeted expenditure after adjustment to R 58,304,897.

The savings in operating expenditure will be utilised partly to fund the increase in the 08/09 IDP and the remainder will be utilised in the 09/10 IDP.

Please see explanations attached after Annexure B.

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 R38,568,095 was rolled over from the 07/08 budget year and this was not included upon approval of the 08/09 budget. During the mid-year review changes were also identified on some of these projects. The unspent amount after budget adjustments to be approved by Council is R 38,118,095. The projects are in the process of being implemented and the majority should be completed by the end of the financial year. R 12,409,894 (32.18%) of these funds has already been spent in the current year up to 28 February 2009. Attached per Annexure C is the list of projects that were rolled over from previous financial years.

The savings in the roll over project budget will be utilised to fund the increase in the 08/09 IDP.

Please see explanations attached after Annexure C.

Projects per the 2008/09 SDBIP

Council approved an IDP budget amounting to 24,737,000. The total adjustment to these projects is R 1,260,383 bringing the total budgeted IDP after adjustments to R 25,997,383.

Please see explanations attached after Annexure D followed by a detailed breakdown per project including current and rolled-over projects.

STAFF IMPLICATIONS

None

FINANCIAL IMPLICATIONS

See Annexures

OTHER PARTIES CONSULTED

Section 57 managers
Divisional Managers

ANNEXURES

Annexure A – Revenue per revenue source plus explanations for adjustments

Annexure B – Operating expenditure per vote plus explanations for adjustments

Annexure C – 07/08 IDP roll over plus explanations for adjustments

Annexure D – 08/09 IDP plus explanations for adjustments

Annexure E – Detailed list of roll over projects

Annexure F – Detailed list of 08/09 IDP projects

AUTHORITY

Municipal Finance Management Act No 56 of 2003 (MFMA)

RECOMMENDATIONS

1. That the Adjustment Budget for the 2008/2009 budget year reported by the Chief Financial Officer, as contained in the agenda, be approved.