

# MEMORANDUM

FINANCIAL SERVICES



TO	Mayco
ATTENTION	Khaya Mrali
FROM	Executive Director: Finance
ENQUIRIES	Cavin Petersen
DATE	12 April 2011
OUR REF.	

## Proposed Adjustment Capital Budget 2010/2011

### Background

An Adjustment Capital & Operational budget was approved by Council on the 26 January 2011. Inputs were received from various Directorates to carry over capital projects that will not be completed within the current financial year.

In accordance with Section 28 of the Municipal Finance Act, No 56 of 2003 (MFMA) a municipality may revise its approved annual budget through an adjustments Budget in the following instances:

Section 28 of the MFMA:

- (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 programs 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 the council;
- (f) may correct any errors in the annual budget; and
- (g) may provide for any other expenditure within a prescribed framework.

(3) An adjustments budget must be in a prescribed form.

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

- (5) When an adjustments budget is tabled, it must be accompanied by—
- (a) an explanation how the adjustments budget affects the annual budget;
  - (b) a motivation of any material changes to the annual budget;
  - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - (d) any other supporting documentation that may be prescribed.

(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.

(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

### Capital Adjustment Budget

Several requests were received from various Directorates to carry over capital projects to the next financial year 2011/12. The motivation for most of these was that they cannot finish the project due to delayed material, construction process and tender specifications not met. Below is a breakdown of the request per Directorate:

DIRECTORATE	CARRY OVER AMOUNT
Community Services	8,545,360
Housing Services	5,897,209
Corporate Services	1,988,684
Infrastructure & Planning	7,200,000
<b>TOTAL</b>	<b>23,631,253</b>

### Carry Overs

In terms of section 31 of the MFMA a municipality is allowed to carry over unspent funds for a capital programme between financial years, but the amount should not exceed 20%. An amount of R 23 631 253 which amounts to 8.5% of the Capital Budget has been made available on the budget for carry overs. These amount are committed projects budgeted in the current financial (2010/2011) year which will continue in the new financial year. Refer to Annexure A for detail of the projects and also reasons for carry overs.

VOTE NO	VOTE DESCRIPTION	AMOUNT BUDGET 2010/11	CARRY OVER AMOUNT
305040617900	UPGRADING OF CIVIC CENTRE (LIFTS	2,787,118	1,400,000
308540607800	AIRCONDITIONING MBEKWENI HALL	700,000	588,684
430540619800	PAARL EAST MULTI PURPOSE CENTRE	13,095,624	8,000,000
480540654200	DEVELOP OF NEW CEMETRY	1,000,000	545,360
605040652700	EMERGENCY LAND	1,000,000	250,000
605040656400	LAND ACQUISITION AND BULK SERVICES	10,000,000	5,647,209
812541021300	ROADS:OR TAMBO,NEW REST & NEWTON	3,000,000	1,000,000
823563300200	BERGRIVER POLLUTION PROJECT	6,500,000	4,600,000
842541020100	WATER TREATMENT WORKS : PAARL MOUNTAIN	8,741,000	400,000
842541021900	GROENHEUWEL HIGH PRESSURE WATERMAIN	2,000,000	1,200,000
<b>TOTAL</b>			<b>23,631,253</b>

The total Capital budget has been adjusted downwards by an amount of R 23 631 253. The proposed adjustment budget for 2010/11 amounts to;

Capital budget at 26 JANUARY 2011	278,567,774
Minus Carry overs	23,631,253
Proposed Capital budget	254,936,521

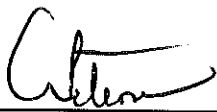
**Recommendation**

1. That MAYCO approves the New Adjustment Capital Budget for the 2010/2011 financial year per function as follows and submit to council for final adoption :

**ADJUSTMENT BUDGET - 2010/2011 - CURRENT FINANCIAL YEAR**

FUNCTION_NAME	BUDGET BEFORE CARRY OVER 2010/2011	CARRY_OVER_10/11	NEW ADJUSTMENT_BUDGET - 2010/2011
EXECUTIVE AND COUNCIL	253,449	0	253,449
BUDGET AND TREASURY OFFICE	698,688	0	698,688
CORPORATE SERVICES	24,428,763	(1,988,684)	22,440,079
PLANNING AND DEVELOPMENT	1,151,233	0	1,151,233
HEALTH	380,963	0	380,963
COMMUNITY AND SOCIAL SERVICES	24,045,465	(8,545,360)	15,500,105
HOUSING	16,342,058	(5,897,209)	10,444,849
PUBLIC SAFETY	1,987,749	0	1,987,749
SPORT AND RECREATION	20,803,636	0	20,803,636
WASTE MANAGEMENT	4,025,000	0	4,025,000
WASTE WATER MANAGEMENT	87,610,500	(4,600,000)	83,010,500
ROAD TRANSPORT	26,996,000	(1,000,000)	25,996,000
WATER	41,286,000	(1,600,000)	39,686,000
ELECTRICITY	28,558,270	0	28,558,270
<b>TOTAL CAPITAL BUDGET</b>	<b>278,567,774</b>	<b>(23,631,253)</b>	<b>254,936,521</b>

2. That in term of Section 28 of the MFMA, MAYCO adopts the amendments proposed for incorporation into the 2010/11 adjustment budget attached in as Annexures



Mr CM Petersen  
Executive Director: Finance



Mr JT Basson  
Portfolio Holder: Finance

# CARRY OVERS TO 2011/2012

VOTE NO	VOTE DESCRIPTION	AMOUNT BUDGET 2010/11	CARRY OVER AMOUNT	FUNDING SOURCE	AVAILABLE AMOUNT ON THE VOTE AS AT 09 APRIL 2011	TENDER NUMBER	COMMENTS
305040617900	UPGRADING OF CIVIC CENTRE (LIFTS)	2,787,118	1,400,000	CAPITAL EX CRR (1011)	1,874,650.00	No tender awarded yet, CES/15/2010	The award could not be made due to the CIDB registration of the tenderers that did not comply with CIDB regulations. A new tender has been advertised and the award before the end of 30 June 2011.
308540607800	AIRCONDITIONING MBEKWEINI HALL	615,000	588,684	CAPITAL EX CRR (1011)	588,684.20	No tender awarded yet	No valid tenderers were received for the installation of airconditioners in the Mbekweni community hall. The tender has been re-advertised and the award will be made before the end of 30 June 2011.
430540619800	PAARL EAST MULTI PURPOSE CENTRE	13,095,674	8,000,000	CAPITAL EX CRR (1011)	11,852,213.00	COM DEV 1/2010	The project is about 18 months and the award was made during late December 2010 and the construction industry was closed due to holidays. The site handover was only done during February 2011. The carryover is due to the construction period which is over two financial years.
480540654200	DEVELOP OF NEW CEMETRY	1,000,000	545,360	CAPITAL EX CRR (1011)	545,360.20	No tender awarded yet	The EIA is in progress whilst awaiting for the response from Dept of Public Works for acquisition of land. There application for land has been given to Public Works and we still awaiting for the responses.
605040652700	EMERGENCY LAND	1,000,000	250,000	CAPITAL EX CRR (1011)	916,497.00		This funds are secured for the installation of civil services and preparation of emergency housing site. The work will not be completed before the financial year ending 30 June 2011, due to the Schoongesicht formal housing project site that has to be converted to emergency housing site. There is a consultation process in progress with the respective beneficiaries that has to be finalised before the commencing with the site preparations.
605040655400	LAND ACQUISITION AND BULK SERVICES	9,480,000	5,647,209	CAPITAL EX CRR (1011)	9,461,253.00	CES/19/2010	The work will not be completed before the end of financial year ending 30 June 2011 due to the withdrawal of the appointed contractor and the new contractor had to be appointed. These projects were initially planned as multi year programmes.
812541021300	ROADS-OR TAMBO NEW REST & NEWTON	3,000,000	1,000,000	CAPITAL EX BACKLOGS	3,000,000.00	CES/16/2010	The project is co-funded by CVDIM and the award delayed in anticipation for the funding to be finalized. It is EPWP project and was delayed due to labour unrest during the start of the project. There is a also a national shortage in the provision of bitumen that can also cause further delays.
823541021800	Bulk Gravity Outfall Sewer - Pearl South	21,000,000	4,600,000	CAPITAL EX OWN FUNDS	4,624,490.00	CES/9/2010	The construction of the work requires special measures to deal with deep excavations and working between existing services which delayed the planned works programme. The provision of materials by suppliers and the winter rain can also influence the progress of the project.
842541020100	WATER TREATMENT WORKS : PAARL MOUNTAIN	8,741,000	400,000	CAPITAL EX BACKLOGS	3,741,000.00	CES/3/2010	The contractor experienced quality problems in terms of concrete work, rain, delays and must conform to stringent environmental requirements which caused delays in the planned work programme.
8425410211900	GROENHEUWEL HIGH PRESSURE WATERMAIN	2,000,000	1,200,000	CAPITAL EX BACKLOGS	1,991,252.00	Not yet awarded ,CES/11/2010	There is a delay in the supply and delivery of HDPE pipes from the supplier due a national shortage of these pipes. The award will be made on the 13 May 2011.
<b>TOTAL</b>					<b>23,631,253</b>		