

2009/2010 ADJUSTMENTS TO THE OPEX AND CAPEX PROJECTS

1. INTRODUCTION

On the 25th August 2009, Council Minute BCC 264/09, Council adopted an adjustment budget relating to roll-overs of the Operational Projects as well as roll-overs to the Capital Projects. Subsequently more adjustments have been requested from the Directorates and it is therefore imperative to have the adjustments approved in order for progress.

2. 2009/2010 OPERATING PROJECTS BUDGET

Table 1 reflects the adjustment to the 1st Adjusted grant funded operating projects to the available funding. This adjustment has resulted in a decrease of R101,032,162 to the operating projects budget (Refer to “Annexure A” for further details).

TABLE 1: 2009/2010 OPERATING PROJECTS BUDGET ADJUSTMENT SUMMARY

OPEX PER FUNDING SOURCE	2009/2010 APPROVED BUDGET	2009/2010 BUDGET ADJUSTMENTS	2009/2010 ADJUSTMENT BUDGET	2009/2010 BUDGET ADJUSTMENTS	2009/2010 ADJUSTMENT BUDGET
<u>NEW PROJECTS</u>					
Own Funds	46,740,176		46,740,176	(6,104,659)	40,635,517
Dept. Land Affairs	500,000		500,000	(500,000)	0
Finance Management Grant	750,000		750,000	250,000	1,000,000
Dept. Local Government and Housing	173,804,022		173,804,022	(89,132,043)	84,671,979
Dept. Water Affairs & Forestry	7,460,400		7,460,400		7,460,400
Equitable Share	15,000,000		15,000,000		15,000,000
Dept. Science & Technology	5,000,000		5,000,000	(2,500,000)	2,500,000
Dept.of Local Government & Traditional Affairs	0		0	179,000	179,000
Sectoral Education & Training Authority	6,925,000		6,925,000		6,925,000
Disaster Management Fund	0		0	200,000	200,000
Municipal Infrastructure Grant	4,000,000		4,000,000	(4,000,000)	0
Municipal Systems Improvement Grant	500,000		500,000		500,000
SALAIDA	1,014,000		1,014,000		1,014,000
European Commission	11,020,000	(10,520,000)	500,000		500,000
Dept of Provincial Local Government	500,000		500,000		500,000
LOTTO	603,708		603,708		603,708
Leiden	440,567	(140,567)	300,000	1,108,763	1,408,763
TOTAL NEW OPEX PROJECTS	274,257,873	(10,660,567)	263,597,306	(100,498,939)	163,098,367
<u>ROLLED-OVER PROJECTS</u>					
Own Funds	9,135,722	(2,156,027)	6,979,695	56,850	7,036,545
Buffalo City Metropolitan Transport	396,431	(52,371)	344,060		344,060
Department of Arts and Culture	131,037	(72,538)	58,499		58,499
Development Bank of South Africa	234,779	0	234,779	(200,000)	34,779
Dept. Environmental Affairs and Tourism	140,000	0	140,000		140,000
Dept.Local Govt, Housing & Traditional Affairs	2,717,337	(7,434)	2,709,903	(769,000)	1,940,903
Donor Funding	1,255,192	(181,406)	1,073,786		1,073,786
Dept. of Science & Technology	582,889	0	582,889	(500,000)	82,889
Dept. Water Affairs & Forestry	4,553,060	(33,720)	4,519,340		4,519,340

Equitable Share	14,920,248	(7,010,178)	7,910,070	1,050,516	8,960,586
European Commission	6,909,923	(2,450,170)	4,459,753	1,328,939	5,788,692
Finance Management Grant	550,055	(127,426)	422,629		422,629
Leiden	18,948	0	18,948		18,948
Dept. Housing and Local Government	69,500,798	(13,488,424)	56,012,374	7,653,452	63,665,826
LOTTO	1,956,994	(635,019)	1,321,975	(133,073)	1,188,902
Mdantsane Urban Renewal Programme	10,000	0	10,000	(10,000)	0
Municipal Infrastructure Grant	10,405,358	(94,451)	10,310,907	(9,010,907)	1,300,000
Municipal Systems Improvement Grant	415,163	(415,163)	0		0
SALAIDA	1,094,137	(443,459)	650,678		650,678
Sectoral Education & Training Authority	414,443	(258,499)	155,944		155,944
Swedish International Development Agency	104,989	(47,822)	57,167		57,167
Trust Funds	408,301	(36,632)	371,669		371,669
TOTAL ROLLED-OVER OPEX PROJECTS	125,855,804	(27,510,739)	98,345,065	(533,223)	97,811,842

TOTAL OPEX PER FUNDING SOURCE	400,113,677	(38,171,306)	361,942,371	(101,032,162)	260,910,209
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2.1. Comments on the Operating Budget Projects

In the current financial year delays are being experienced by the Provincial Housing Department to commit housing subsidy funding for the Masibulele, Masibambane, Ilinge and Chris Hani block 3 low cost projects(R17,5million). Application for funding was submitted to the Provincial Housing Department. It is anticipated that committed funding will only be made in the 2010/2011 financial year. The Operating projects have decreased by R101 million and the major decrease being the housing projects delayed by Province.

3. 2009/2010 CAPITAL BUDGET ADJUSTMENT

Table 2 reflects the adjustment to the 1st Adjusted Capital projects to the available funding. This adjustment has resulted in a decrease of R149, 881,198 to the capital projects budget (Refer to "Annexure B" for further details).

TABLE 2: 2009/2010 CAPITAL BUDGET ADJUSTMENT SUMMARY

CAPEX PER FUNDING SOURCE	2009/2010 APPROVED BUDGET	2009/2010 BUDGET ADJUSTMENTS	2009/2010 ADJUSTMENT BUDGET	2009/2010 BUDGET ADJUSTMENTS	2009/2010 ADJUSTMENT BUDGET
<u>NEW PROJECTS</u>					
Own Funding	15,000,000	0	15,000,000	(370,000)	14,630,000
Capital Replacement Reserve	105,740,192	(1,513,409)	104,226,783	6,989,935	111,216,718
Development Bank of South Africa	83,689,000	(30,000,000)	53,689,000	840,000	54,529,000
BCM Metropolitan Transport	200,000	0	200,000		200,000
Dept. Local Government and Housing	98,327,845	0	98,327,845	(67,452,934)	30,874,911
Dept. Water Affairs & Forestry	278,870	0	278,870		278,870
European Commission	33,000,000	(30,500,000)	2,500,000		2,500,000
Leiden	4,000,000	0	4,000,000		4,000,000
National Electrification Programme	13,000,000	0	13,000,000		13,000,000
Dept. Science & Technology	3,000,000	0	3,000,000	(3,000,000)	0
Dept. of Energy	0		0	4,200,000	4,200,000
Municipal Infrastructure Grant	174,503,495	47,165	174,550,660	(6,604,660)	167,946,000
Neighbourhood Development Partnership Grant	9,143,000	2,400,000	11,543,000	(11,543,000)	0
Public	1,000,000	0	1,000,000		1,000,000
Public Transport Infrastructure Systems Grant	31,213,000	0	31,213,000		31,213,000
Disaster Management Grant	3,000,000	0	3,000,000		3,000,000

TOTAL NEW CAPEX	575,095,402	(59,566,244)	515,529,158	(76,940,659)	438,588,499
ROLLED-OVER PROJECTS					
Own Funding	0	8,796,576	8,796,576		8,796,576
Capital Replacement Reserve	38,390,483	29,363,034	67,753,517	(3,775,835)	63,977,682
Development Bank of South Africa	121,882,175	(13,136,530)	108,745,645	(9,042,954)	99,702,691
BCM Metropolitan Transport	1,615,358	(473,309)	1,142,049	1,400,000	2,542,049
Dept. Local Government and Housing	23,649,873	(11,604,908)	12,044,965	(5,908,876)	6,136,089
Dept. Water Affairs & Forestry	255,097	(175,225)	79,872		79,872
European Commission	47,156,747	(9,380,020)	37,776,727	(1,328,939)	36,447,788
Leiden	186,910	(44,340)	142,570		142,570
National Electrification Programme	22,327,718	(22,314,701)	13,017		13,017
Dept. Science & Technology	390,580	0	390,580		390,580
Municipal Infrastructure Grant	117,484,599	(36,111,801)	81,372,798	(47,783,935)	33,588,863
Neighbourhood Development Partnership Grant	6,500,000	0	6,500,000	(6,500,000)	0
Public	914,618	0	914,618		914,618
Public Transport Infrastructure Systems Grant	5,559,997	(183,193)	5,376,804		5,376,804
Disaster Management Grant	299,363	(24,644)	274,719		274,719
Dept. Sports Recreation Arts & Culture	50,000,000	(1,283,467)	48,716,533		48,716,533
Dept. Environmental Affairs & Tourism	700,000	(546,834)	153,166		153,166
Dept of Land Affairs	2,082,276	(11,600)	2,070,676		2,070,676
Development Bank of South Africa Grant	51,078	0	51,078		51,078
Eastern Cape Development Co-Operation	344,272	0	344,272		344,272
LOTTA	344,555	0	344,555		344,555
Swedish International Development Agency	52,994	(46,665)	6,329		6,329
TOTAL ROLLED-OVER CAPEX	440,188,693	(57,177,627)	383,011,066	(72,940,539)	310,070,527
TOTAL CAPEX PER FUNDING SOURCE	1,015,284,095	(116,743,871)	898,540,224	(149,881,198)	748,659,026

3.1 Comments on the Capital Budget Projects

The adjustments made to the capital budget have resulted in a decrease in the 2009/2010 Capital Budget from R898,5 million to R748,6 million.

3.1.1 CRR Funding

There is an increase of R6 million on the Asset Replacement due to a major replacement of an electrical substation amounting to R4.2 million that needed to be replaced.

3.1.2 Neighbourhood Development Partnership Grant

Projects included in the approved 2009/2010 budget have been taken off the budget reason being that they were not approved by NDPG as it a conditional grant.

3.1.3 Department of Energy

There is an additional funding of R4,2 million that has been received from the Department of Energy.

3.1.4 Provincial Department of Housing

The housing projects budget have been decreased by R67,4 million due to delays by the Provincial Department.

3.1.5 Municipal Infrastructure Grant (MIG)

The approved Municipal Infrastructure Grant budget has been decreased by R6,6 million due to the revision of the 2009/2010 DORA report.

4. FINANCIAL IMPLICATIONS

4.1 The adjustments to the 2009/2010 operating projects budget do not have an impact on tariffs as these are not funded from operational budget.

4.2 The effects of the adjustments to the 2009/10 Capital and Operating Budget are:

- A decrease in the Operating Projects Budget of R101,032,162 from R361,942,371 to R260,910,209.
- A decrease in the Capital Projects Budget by R149,881,198 from R898,540,224 to R748, 659, 026

5. RECOMMENDATION

It is recommended:

1. That the adjustments in the sum of R101,032,162 to the 2009/2010 Operating Projects Budget be approved.
2. That the adjustments in the sum of R149,881,198 to the 2009/2010 Capital Projects Budget be approved.
3. That the 2009/2010 1st Adjusted Operating Projects and Capital Projects Budget in the sum of R1,009,569,235 as reflected in the table below be approved.

<u>2009/2010 OPERATING & CAPITAL PROJECTS ADJUSTMENT BUDGET</u>	2009/2010 ORIGINAL BUDGET	2009/2010 ROLL-OVER ADJ BUDGET	2009/2010 1ST ADJUSTMENT BUDGET
Operating Budget	400,113,677	361,942,371	260,910,209
Capital Budget	1,015,284,095	898,540,224	748,659,026
Total 2009/2010 Opex and Capex Adjustment Budget	1,415,397,772	1,260,482,595	1,009,569,235

Annexures

The following annexures are attached for perusal:

1. "Annexure "A" – Operating Budget Projects Adjustment Schedule.
2. "Annexure "B" – Capital Budget Projects Adjustment Schedule.