

778 Each municipality must repay all unspent conditional allocation, in respect of which National Treasury has not given the municipality written permission to retain, directly to the National Revenue Fund by 15 October 2011. If the municipality fails to repay such unspent grants the National Treasury will offset such amount against the Municipality's Equitable Share Allocation.

The process as outlined will therefore result in a delay in the implementation of projects that are funded from the unspent 2010/11 DoRA allocations in the 2011/12 financial year.

In a situation where the municipality does not get permission from National Treasury to retain the funds, this may lead to the Municipality being unable to meet its contractual obligation to the service providers. Failure to meet contractual obligations might lead to adverse legal implications against the municipality.

## 6. FINANCIAL IMPLICATIONS

The under collection in some services as well as the low collection rate is having a direct effect on the cash flow of the Municipality and its ability to fully meet its financial obligations.

The under collection makes it necessary to do an adjustment budget to adjust downwards anticipated income and expenditure into the levels of what the Municipality is able to collect.

## 7. OTHER PARTIES CONSULTED

All directorates within the Municipality have provided input in the report.

## 8. RECOMMENDATIONS

It is recommended that:

- a) Council notes the Mid-Year Budget and Performance Assessment Report for the 2010/11 Financial Year in terms of S72 of the MFMA and the Supporting Documentation attached as Annexure A to F.
- b) Council considers the financial state of affairs of the Municipality as reflected in this report and take note of the following:
  - the low collection rate for the six (6) months ending 31 December 2010,
- c) Council notes that in terms of current cash flow projections the Municipality will be totally dependant on grant funding by 2011/12 financial year to fund its capital infrastructure programme if the debtors collection rate does not improve beyond 95%.
- d) Council considers the tabling of an adjustment budget not later than 28 February 2010, taking into account the following:
  - The appropriation of any additional revenue received during the current financial year.
  - Adjust revenue downward on Electricity and Water Services as the actual billing is less than budget.
  - Any unforeseeable and unavoidable expenditure that has been incurred in the current financial year and approved by the Executive Mayor.
  - Adjustments to the Operating and Capital budget for Virements and transfer of funding.
  - Transfer of projects of an operating nature from the capital budget to the operating budget.
  - Savings on staff budget be utilized to fund additional operating budget requests received from Directorates.

  
COUNCILOR Z. FAKU  
EXECUTIVE MAYOR

DATE 14/01/2011