

EMNAMBITHI/LADYSMITH MUNICIPALITY



2011/2012 Adjustments Budget

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MAYORAL REPORT

It is an honour to stand before you to present the 2011 / 2012 mid year adjustment budget under the theme "Working together we can do more to speed up Service Delivery".

One is mindful of the backlogs that we face with minimal resources that we have. We hope that the National Government will be able to review the funding to address the concerns that we raised with both the President and the Minister of Co-operative governance and traditional affairs

In terms of section 28 (1) of the Municipal Finance Management Act, "A municipality may revise an approved annual budget through an Adjustments Budget."

This adjustment budget document is very comprehensive and provides details of the municipality's entire plan for the balance of the financial year.

The 2011/2012 adjustments budget was compared to the actual amounts as at 31 December 2011.

All Heads of Departments were consulted in terms of the budget. All requests from Heads of Departments were captured in terms of overspent line items and transfer of funds between line items. Taking the above mentioned factors into consideration, the budget is a balanced one.

The following new and revised allocations were gazetted:

Recapitalisation of the Libraries	R108 000
Local Economic Development	R 2 000 000
Small Town Rehabilitation Grant	R16 000 000
INEP	R 8 000 000

All unforeseen and unavoidable expenditure to date has been regularised and included in the budget. Detailed explanations per item are attached in the executive summary of the adjustment budget.

EXECUTIVE SUMMARY

REVENUE

Rates Revenue

The increase of R 1 863 021 is based on the annual debits raised for the current financial year. This is influenced by the changes in the valuation and categories of properties.

Traffic and Licensing

Based on the actual amount received for the period July 2011 to December 2011, a projection of the income reflected that we under budgeted the registration and renewals income. There is an increase in the income of R 413 965.

Electricity Income

This income has not been adjusted.

Electricity Availability Charges

This income has not been adjusted.

Grants income

The following grants are included in the Adjustments Budget:

Museum Subsidy	R125 000
Recapitalisation of the Libraries	R108 000
Municipal Systems Improvement Grant	R790 000
Provincialisation of Libraries	R1 448 000
Financial Management Grant	R 1 450 000
Local Economic Development Clinics	R 2 000 000
	R130 533

The clinics have been handed over to the provincial Department of Health. The expenditure for the provision of electricity, water and refuse is in the process of being finalised. The amount allocated is for these services that the municipality is currently paying for.

Other income

The increase of R 5 304 423 is due to the increase in the generation of income from the minor tariffs e.g. hall hire, sundries, fire brigade services, photocopies, burial fees etc.

Interest Income

The increase of R745 055 is due to the increased raising of interest on the rates service. The interest to be derived from investments have been decreased by R2 331 784 as the over projection has been rectified.

Royalty on Stone

This is the income derived from Afrisam for the use of the quarry. A monthly fee is payable by Afrisam. There is therefore an increase of R965 913.

Sundries

There is an increase of R16 018. These are fees that are payable for the purchase of bid documents, rates clearance certificates, ploughing fees, licence and learners fees and lost book fees.

Credit Control Income

The increase of R49 680 is due to the increased collection on the notice processing fees.

Refund Skills Development Levy

This is the refund that is claimed from SETA for the training that is carried out to the municipal staff.

Third Party Vending

There is no change in the estimates. The cost is charged to all consumers using any of the third party vendors to pay their respective municipal accounts.

Land sales

This is the estimated amount of funds that is to be generated from the sale of vacant land in all areas within the municipal area that is owned by the municipality.

Weigh Bridge Income

This income has been decreased by R150 000 as there were technical problems in the installation of the computer software for the billing of consumers.

Capital Grants

This includes the following:

MIG	R25 356 000
Expanded Public Works	R 536 000
NDPG	R15 150 000
Rural Household Development Grant	R 4 000 000
Small Town Rehabilitation Grant	R16 000 000
INEP	R 8 000 000

Vehicle Income

This is the charge that is costed to each vehicle when it is used.

Sale of Staff Houses and flats

This income is anticipated from the sale of the Casa Mia flats.

EXPENDITURE

Salaries

All employees that were paid in December 2011 have been accounted for in the amount of R 107 642 570. Many vacancies have not been filled in this financial year

and therefore have been included in the salary and allowances sub-section. The overtime and job creation amounts have increased by R 1 628 439 and R 3 363 193 respectively. This is due to the moratorium being placed on the filling of permanent posts. Permanent staff is required to work additional hours to ensure that the level of service delivery is not compromised. Job creation employees are employed to also compensate for the huge staff shortages. The councillor's salaries have been increased to cater for the Government Gazette in terms of the upper limits for Councillor salaries.

General Expenses

Free Basic Electricity

This amount has not been adjusted and is utilised to fund indigent consumers who receive the 50kWh free electricity.

Free Basic Refuse

This amount has not been adjusted and is utilised to fund indigent consumers who receive the refuse removal service for free.

Rates Indigency

This amount has been reduced by R4 390 996 due to the over provision in the original budget. The current indigent expenditure was annualised and thereafter reduced.

Bulk Purchase – Electricity

The purchase of electricity has decreased by R 16 289 450 in accordance with the consumption patterns of consumers.

Automated Performance Management System

The capital allocation of R600 000 has been allocated to the capital budget. Therefore, a reduction is recorded in the operational budget.

Municipal Property Rates Act

There is an increase of R390 000. The bid for the valuation exercise is under appeal and cannot be implemented until this process is finalised. Interim preparations are being done for the general valuation exercise to begin in the new financial year.

Emergency Relief

This amount has not changed. The funds allocated to this line item are used by the Office of the Mayor for emergencies for the public.

Electrical Refurbishment

There is no change in the allocation. These funds are used for the maintenance of the electrical systems and is an NER requirement.

Youth Development

This is a Mayoral project and the programme of Youth awareness is to be intensified during the year. Therefore, there is an increase of R 399 980. Included in this

allocation is an amount of R500 000 for the mass skilling programme.

Staff Training

There is an increase of R199 042. These funds are used by employees to attend training workshops as well as to enrol at tertiary institutions to further their education.

Postage Services

This amount includes the bulk postage of municipal accounts, as well as the individual postage costs incurred by the departments.

There is a decrease of R 37 520 due to some accounts being sent via email.

Pauper Burials

There is no change in this allocation. The funds are used for the burial of people who are not in a position to afford having a funeral.

Special Programmes

This amount has been re-allocated to the specific programmes identified by the Office of the Mayor.

Legal Expenses

There is no change to this allocation. The funds are used by the legal section in the implementation of the legal process for the collection of arrear debt.

Asset Management

There is no change to this allocation. These funds are used by the Finance Department for the implementation of GRAP 17.

Ward Committees

There is no change to this allocation. The funds are used by the Public Participation unit for the payment of the cell phone accounts of the ward committee members, as well as the travelling costs of the community liaison officers.

Free Basic Alternate Energy

There is no change to this allocation. The funds are used by the Public Participation unit for the procurement of gel, gel stoves and oil lamps for the community who have no access to electricity.

SARS Skills Development Levy

There is an increase in this allocation by R288 810. This is an amount that is paid to SARS for the development of skills. These funds can be claimed from the SETA when the municipality incurs training costs.

Transport

There is an increase of R4 596 926. This increase is due to under budgeting of costs incurred to run the vehicles in the departments.

Major expenditure is incurred by the Department: Economic Development for the Refuse and Parks and Garden sections. The Fire department also incurs a lot of expenditure in terms of transport costs.

Conference and Delegations

There is an increase of R366 724. These funds are used by the municipality for the attendance of conferences, workshops and seminars. The accommodation and travelling costs are paid from these funds.

Telephone and Fax

There is an increase of R473 858. The Telkom and cellular phone accounts are paid from these funds.

Electricity

There is a decrease of R 260 598. These funds are used for the payment of the municipality's electricity accounts.

Disconnections and Reconnections

This amount has been increased by R253 060 due to the increased collection drive.

Siyazenzela Project

This amount has increased by R 1 795 000. All twenty seven (27) wards are now included in this project.

Insurance

This amount has increased by R412 210 due to the increase in assets that were identified.

Zibambele EPWP Pilot Project

This amount has been decreased by R375 000 as there was a late start to the project.

Printing and Stationery

This amount has increased by R 39 451 due to the increased costs of the photocopy machines and printing costs.

Sports and Recreation

There is no change to the allocation. These funds are used for the maintenance of the parks facilities and sports grounds.

Events

This amount has increased by R 161 208 due to the increased costs of catering and entertainment for the functions that are arranged by the Office of the Mayor.

Self-Insurance Fund

There is no change to the allocation. These funds are used for the payment of repairs to municipal assets. The purpose of the fund is to reduce the insurance premium that is paid by the municipality.

Vehicle Expenses

This amount has increased by R20 939 666. This is the estimated costs for the running of the municipal vehicle fleet.

Grant Expenditure

The following grants are included in the Adjustments Budget:

Museum Subsidy	R125 000
Recapitalisation of the Libraries	R108 000
Provincialisation of Libraries	R1 448 000
Local Economic Development	R 2 000 000
Clinics	R130 533

The clinics have been handed to the provincial Department of Health. The expenditure for the provision of electricity, water and refuse is in the process of being finalised. The amount allocated is for these services that the municipality is currently paying for.

Development Plans

This amount has increased by R134 151. The bid to draft the Spatial Development plan and framework has been advertised and is due to be awarded.

Water

This amount has decreased by R248 274. These funds are used for the payment of the water bills to UThukela District Municipality.

Streetlights

This amount has increased by R171 531. These funds are used for the payment of the electricity accounts for streetlights in the municipal area.

Security Services

There is an increase of R1 497 114. This is due to the increased amount of the security bid that has been awarded.

Protective Clothing

There is an increase of R356 843. This is due to the increased purchases of protective clothing for the job creation staff, as well as for permanent staff.

Capital ex Revenue

There is a decrease by R189 955. These funds are used for the purchase of capital items e.g. furniture and small plant that is not included in the capital budget.

Other General Expenses

The increase of R 13 381 484 is due to an overall increase in line items. Included in this category of expenditure are the ad-hoc items e.g. Port and line costs, alarm systems, AIDS awareness programmes, material and sundries, etc.

Repairs and Maintenance

Software

This amount has increased by R 43 410. These funds are used for the payment of the licence fees for the Samras financial system, as well as the purchase of the operating systems e.g. The Windows programme for new computers.

Roads Tarred and Earth

This amount has increased by R 8 852 048 to meet all the operational requirements of the municipality.

Storm water

This amount has decreased by R 833 750. The funds from this line item has been re-allocated to ad-hoc projects that were identified by Council e.g. the Youth Centre, offices at the Town Hall, etc.

Levelling of the Dump Site

This amount has increased by R 308 977 to meet all the operational requirements of the municipality.

Surveillance Cameras

This amount has decreased by R 1 327 574. The loan repayments of the surveillance cameras have been allocated under the capital charges category of expenditure.

Electricity Mains

This amount has increased by R 2 070 747 to meet all the operational requirements of the municipality. The electrical reticulation system is old and failing and much maintenance is required to keep the system operational.

Substation Equipment

This amount has increased by R365 000 to meet all the operational requirements of the municipality. The electrical reticulation system is old and failing and much maintenance is required to keep the system operational.

Street lighting

This amount has increased by R915 065 to meet all the operational requirements of the municipality. Many of the streetlights are old and the parts are obsolete. Therefore, a full replacement of the heads is required in these instances.

Metering

This amount has increased by R617 020. These funds are used for the purchase of new meters as well as the costing of the meter readers. The check readings and purchase of equipment for the installation of the meters are purchased from these funds.

House Service Overhead Mains

This amount has increased by R300 000. These funds are used for the maintenance of lines to households.

Buildings

This amount has decreased by R269 307. These funds are used for the maintenance to municipal buildings.

Hardware

This amount has decreased by R20. These funds are used for the maintenance of computer hardware.

Klipriver Maintenance

There is no change to the allocation. These funds are used for the maintenance of the foliage along the river, as well as to dredge the riverbed.

Youth Centre

This is a new project for the construction of a Youth Centre in Keate Street.

Other Repairs and Maintenance

The decrease of R 156 098 is due to an overall decrease in the line items.

Capital Charges

Depreciation

The depreciation on all assets that existed until November 2011 have been accounted for in the amount of R 93 678 230. The remaining seven (7) months for depreciation has been projected and the new additions have been depreciated by ten (10) percent. In terms of Generally Recognised Accounting Practice, the full depreciation requirement for all the municipality's assets must be provided for in the operational budget. Should the municipality fund the total depreciation amount of R 93 678 230, tariffs will be very high and unaffordable to the consumers. National Treasury recognises this in MFMA Circular 42 – funding a municipal budget. A phased increase or re-alignment in tariffs may need to be considered to compensate the deficit to a surplus by a progressive move through gradual tariff increases or the re-alignment of municipal revenue.

The community needs to make a sufficient contribution towards the economic benefit that is generated from the assets over the medium term budget period.

Currently, the municipality has opted to fund R10 916 246 of the total depreciation expense.

Contributions

Rates Rebates

This amount has increased by R3 758 440. These funds are used to fund the rebates that are granted to consumers for paying their rates upfront for the whole financial year.

Non- Payment

The decrease of R4 773 421 is due to the increased control over the collection of the electricity service charges.

CAPITAL BUDGET

The capital budget (shown as Annexure B) has increased by R 21 132 538.

The revenue funded projects have increased by R13 453 798. This includes the increased funding for the tide flex valves to prevent flooding, the sewer jetting machine, the surveillance camera project, plant and vehicles and the testing centre. The revenue funded assets were funded from the uncommitted funds from prior year's surpluses.

The grant funded projects have increased by R16 984 740. This is due to the increased allocation under the Neighbourhood Development grant, and the Small Town Rehabilitation grant.

The grant funds for the Energy Efficiency Demand Side Management in the amount of R4 000 000 have been withdrawn from National Treasury due to non-spending. The bid for the installation of the streetlights has been advertised four times. There were no suitable companies identified from this process. The bid has now been awarded but the problem of the funding is being addressed by the Executive Manager: Infrastructure and Services with National Treasury. The INEP grant has also been reduced by R7 000 000 due to non-spending once again. These funds were not spent as the houses for the installation of the electrical service have not been built to date.

RESOLUTION

That the amendments to the Operational and Capital budgets for the 2011/2012 financial year as indicated in Annexures A and B is approved.