



ADJUSTMENT BUDGET 2014/2015

27 FEBRUARY 2015

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Supporting tables and budget schedules

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MEMORANDUM

TO: COUNCIL

FROM: EXECUTIVE MAYOR

DATE : 23 FEBRUARY 2015

SUBJECT: SUBMISSION OF THE FIRST ADJUSTMENT BUDGET 2014/15

1. PURPOSE

1.1 The purpose of this report is to present the first budget adjustment for the year 2014/15 to the council for consideration and approval.

2. OTHER DEPARTMENT CONSULTED

Yes

3. LEGAL REQUIREMENTS

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

4. RECOMMENDATIONS

Operating Budget

4.1 Council resolves that the first adjustment budget of the KSD Local Municipality for the 2014/15 financial year ; and indicative for the two projected outer years 2015/16 and 2016/17 be approved as set-out in the following schedules:-

- 4.1.1 Operating revenue by source reflected in Schedule 1
- 4.1.2 Operating expenditure by vote reflected in Schedule 2.
- 4.1.3 Capital expenditure by GFS classification reflected in Schedule 3
- 4.1.4 Capital funding by source reflected in Schedule 4.

Capital Budget

4.2 Council resolves that multi-year capital appropriations by vote and associated funding reflected in Schedules 3 and 4 be approved.

Property Rates and other Municipal Tax

4.3 Council resolves that property rates and any other municipal tax remain unchanged for the budget year 2014/15

Tariffs and Charges

4.4 Council resolves that tariffs and charges remain unchanged for the budget year 2014/15.

Measurable Performance Objectives

4.5 Council resolves that the measurable performance objectives for revenue and expenditure from each source and for each vote reflect the budget adjustments for the 2014/15 financial year be approved.

Integrated Development Plan

4.6 Council resolves to continue the implementation of the approved Integrated Development Plan.

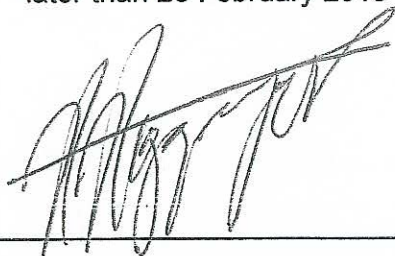
Budget Related Polices

4.7 Council resolves that the Budget related polices approved during the annual budget process remain unchanged.

4.8 That the Council considers the report in terms of section 54 (1) of the MFMA.

4.9 That the Council, in terms of section 54(2)(a) (i) & (ii) of the MFMA, tables an adjustments budget as contemplated in section 28(a), (b), (d) and (f) of the MFMA.

4.10 That the adjustments budget, in terms of section 23 of the Municipal budget and reporting regulations 393 of 2009, be considered and tabled in the municipal council not later than 28 February 2015



CLLR NONKOLISO NGQONGWA

EXECUTIVE MAYOR

3. PURPOSE OF THE REPORT

The purpose of the report is to present the first budget adjustment for the year 2014/15 to the council for consideration and approval.

4. LEGISLATIVE REQUIREMENTS

Section 72 Midyear-assessment report.

Section 72 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates that -

- (1) The accounting officer of a municipality must by 25 January of each year—
 - (a) assess the performance of the municipality during the first half of the financial year, taking into account—
 - (i) the monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
 - (b) submit a report on such assessment to—
 - (i) the mayor of the municipality;
 - (ii) the National Treasury; and
 - (iii) the relevant provincial treasury.
- (2) The statement referred to in section 71(1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1)(b) of this section.
- (3) The accounting officer must, as part of the review—
 - (a) make recommendations as to whether an adjustments budget is necessary; and
 - (b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Section 54 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates that –

- (1) On receipt of a statement or report submitted by the accounting officer of the Municipality in terms of section 71 or 72, the mayor must—
 - (a) consider the statement or report;
 - (b) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
 - (c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the

- (d) approval of the council following approval of an adjustments budget; issue any appropriate instructions to the accounting officer to ensure-
 - (i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and
 - (ii) that spending of funds and revenue collection proceed in accordance with the budget;
- (e) identify any financial problems facing the municipality, including any emerging or impending financial problems; and
- (f) in the case of a section 72 report, submit the report to the council by 31 January of each year.
- (2) If the municipality faces any serious financial problems, the mayor must-
 - (a) promptly respond to and initiate any remedial or corrective steps proposed by the accounting officer to deal with such problems, which may include-
 - (i) steps to reduce spending when revenue is anticipated to be less than projected in the municipality's approved budget;
 - (ii) the tabling of an adjustments budget; or
 - (iii) steps in terms of Chapter 13; and
 - (b) alert the council and the MEC for local government in the province to those problems.
- (3) The mayor must ensure that any revisions of the service delivery and budget implementation plan are made public promptly.

Section 28 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:-

- (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 programmes already budgeted for;
 - (c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
 - (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
 - (e) may authorise 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 council;
 - (f) may correct any errors in the annual budget; and
 - (g) may provide for any other expenditure within a prescribed framework.

Section 23 of the Municipal budget and reporting regulations 393 of 2009 stipulates as follows:-

- 23. (1) An adjustments budget referred to in section 28 (2) (b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.

5. BACKGROUND

A high level assessment of the actual results for the period 1st July 2014 to 31st December 2014 was conducted. The purpose of this review was to enable the Accounting Officer to make recommendations as to whether an adjustments budget for the 2014/15 financial year is necessary.

To ensure successful outcome only a high level review of the Total Council Summary was undertaken. It should therefore be noted that this report does not provide for an assessment of each individual line item / vote number contained in the approved budget of the KSD Municipality for the 2014/2015 financial year.

This report merely highlights the status quo of key revenue and expenditure vote numbers that may require the revision of the approved annual budget through an adjustments budget in terms of section 28 of the MFMA. In addition, this report does not necessarily provide the detail on how revised projections for revenue and expenditure will be achieved. Such exercise by the management team of the municipality will be a natural outflow of this report being dealt with by the Executive Mayor in terms of section 54 (2) of the MFMA.

The adjustment budgets deals with standard items per municipality and does not provide a detailed report per section or departments

6. ADJUSTMENTS BUDGET RELATED RESOLUTIONS

Operating Budget

6.1 Council resolves that the first adjustment budget of the KSD Local Municipality for the 2014/15 financial year ; and indicative for the two projected outer years 2015/16 and 2016/17 be approved as set-out in the following schedules:-

- 6.1.1 Operating revenue by source reflected in Schedule 1
- 6.1.2 Operating expenditure by vote reflected in Schedule 2.
- 6.1.3 Capital expenditure by GFS classification reflected in Schedule 3
- 6.1.4 Capital funding by source reflected in Schedule 4.

Capital Budget

6.2 Council resolves that multi-year capital appropriations by vote and associated funding reflected in Schedules 3 and 4 be approved.

Property Rates and other Municipal Tax

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Tariffs and Charges

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Measurable Performance Objectives

6.5 Council resolves that the measurable performance objectives for revenue and expenditure from each source and for each vote reflect the budget adjustments for the 2014/15 financial year be approved.

Integrated Development Plan

6.6 Council resolves to continue the implementation of the approved Integrated Development Plan.

Budget Related Policies

6.7 Council resolves that the Budget related policies approved during the annual budget process remain unchanged.

7. DISCUSSION OF THE ADJUSTMENTS BUDGET

This section contains an Executive Summary of the adjustment budget, highlighting the processes which lead to the compilation of the adjustment budget.

7.1 Executive Summary

Strategic Focus Areas and Municipal Priority Issues

The following are strategic focus areas for the 2014/15 financial year:-

- Service delivery under conditions of good governance
- Financial Discipline and Viability
- Institutional Development and Transformation
- Local Economic Development
- Good governance and public participation

Key Performance Indicators

The following Key performance indicators still remain for the 2014/15 financial year:-

- Municipal transformation and organizational development;
- Basic service delivery;
- Local economic development;
- Municipal financial viability and management; and
- Good governance and public participation

Administration

- Increase the revenue base.
- Improve the debt collection rate to 95%.
- Recover all collectable debt arrears and write off the uncollectable balance.
- Improve controls over the cash flow and expenditure functions.
- Implement the indigent policy.

Infrastructure

- Project Management Unit - Develop the capital infrastructure within KSD.
- Engineering Services - Maintain roads within KSD to promote LED and Improve standard of living.
- Development Planning Services - Promote the development of sustainable human settlements using order and standard development. Ensure compliance with building standards.
- Electrical Services – Maintain and achieve a consistent and safe supply of electricity to KSD.

Infrastructure

- Community Participation.
- Provide community services such refuse removal to the community.

8. SUMMARY / SNAPSHOT

KSD MUNICIPALITY							
ITEMS	Annual Budget	YTD Budget	Ytd Actual	YTD Variance	Adjust ments	Adjusted Budget	Adj %
	R'000	R'000	R'000	R'000	R'000	R'000	%
Revenue	936 278	622 768	562 038	60 730	44 351	980 629	-3%
Expenditure	936 278	468 139	341 017	127 122	44 351	980 629	-1%
Surplus / (Deficit)	-	154 629	221 021	(66 393)	-	-	-1%
Capital expenditure	121 854	60 927	55 703	5 224	122 037	243 891	-1%
Total expenditure	1 058 132	529 066	396 720	132 346	166 389	1 224 521	-1%

9. PROPOSED ADJUSTMENT OPERATING REVENUE

Tabled 1 Proposed Operating Revenue

ITEMS	KSD MUNICIPALITY							Adj %
	Annual Budget	YTD Budget	YTD Actual	YTD Variance	Adjustments	Adjusted Budget		
REVENUE	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Property rates	189 717	189 717	153 425	36 292	(36 292)	153 425	153 425	-19%
Electricity Receipts	255 081	127 541	123 659	3 882	-	255 081	255 081	0%
Refuse Removal	23 482	23 482	23 205	277	2 000	25 482	25 482	9%
Ref. Removal Trolley Bin/Skip	1 529	764	1 208	(444)	641	2 170	2 170	42%
Rental of facilities and equipment	17 343	8 672	7 363	1 308	2 079	19 422	19 422	12%
Interest earned – external investments	7 776	3 888	2 190	1 698	-	7 776	7 776	0%
Interest earned – outstanding debtors	25 074	12 537	11 679	858	1 716	26 790	26 790	7%
Fines	3 954	1 977	429	1 548	(1 500)	2 454	2 454	-38%
Licensing & permits	17 714	8 857	9 859	(1 002)	3 860	21 575	21 575	22%
Government grants & subsidies-Operational	226 387	159 224	156 117	3 106	6 664	233 050	233 050	3%
Government grants & subsidies Capital	121 827	60 913	60 470	443	59 984	181 811	181 811	49%
Other revenue	38 373	19 187	2 476	16 711	-	38 373	38 373	0%
Other Service Charges	4 023	2 011	1 032	979	277	4 300	4 300	7%
Fire Brigade Fees	3 998	3 998	8 920	(4 923)	4 923	8 920	8 920	123%
Gain on disposal of assets	-	-	4	(4)	-	-	-	-100%
Total Revenue	936 278	622 768	562 038	60 730	44 351	980 629	980 629	5%

DISCUSSION OF REVENUE ADJUSTMENTS

The following adjustments to revenue are recommended

▪ Property Rates	(R36.3 million)
▪ Refuse removal	R2 million
▪ Refuse Removal Trolley Bins	R0.6 million
▪ Rental of facilities and Equipment	R2 million
▪ Interest on outstanding debtors	R1.7 million
▪ Traffic Fines	(R1.5 million)
▪ Revenue from License fees, vehicle registration and examination	R3.8 million
▪ Fire Brigade Fees	R4.9 million
▪ Other service charges	R0.2 million
Rollovers	
Grant and Subsidies operational	R6.7 million
Grant and subsidies capital	R60 million
Total revenue adjustments	R44.4 million

10. OPERATING EXPENDITURE

Table 2 Overall proposed adjustments expenditure

KSD MUNICIPALITY							
	Annual Budget	YTD Budget	Ytd Actual	YTD Variance	Adjustments	Adjusted Budget	Adj %
	R'000	R'000	R'000	R'000	R'000	R'000	%
EXPENDITURE							
Employee related costs	315 478	157 739	142 224	15 515	11 540	327 018	4%
Remuneration of councilors	21 536	10 768	10 129	639	-	21 536	0%
Bad debts	30 000	15 000	-	15 000	-	30 000	0%
Impairment Loss	-	-	-	-	-	-	0%
Repairs & maintenance	26 690	13 345	6 700	6 645	(722)	25 968	-3%
Depreciation	102 800	51 400	-	51 400	59 984	162 784	58%
Finance costs	5 400	2 700	2 363	337	-	5 400	0%
Bulk purchases	196 507	98 254	97 196	1 058	-	196 507	0%
Grants & subsidies paid	10 090	5 045	6 591	(1 546)	6 633	16 722	66%
Agency Payments- Security Services	8 385	4 192	1 651	2 541	(5 838)	2 547	-70%
Collection of arrear debt	5 500	2 750	2 757	(7)	-	5 500	0%
Management Fees	-	-	-	-	-	-	0%
Indigent Subsidy	20 000	10 000	3 615	6 385	-	20 000	0%
General expenses	165 951	82 976	63 210	19 765	(14 687)	151 264	-9%
Loss on disposal of assets	-	-	-	-	-	-	0%
Debtors adjustment account	-	-	(39)	39	-	-	0%
Contributions to capital outlay	27 942	13 971	4 619	9 351	(12 558)	15 384	-45%
TOTAL	936 278	468 139	341 017	127 122	44 351	980 629	5%

EXPENDITURE

Employee related costs	R11.5 million
Depreciation of Capital Assets	R 60 million
General expenses: Contracted services Security Services	(R5.8 million)
General Expenditure Vote 20	(R14.7 million)
Repairs and maintenance Vote 22	(R0.7 million)
Contributions from operating to capital outlay Vote 32	(R12.6 million)
Rollover	
Operating grants expenditure	R6.6 million
Total adjustment	R44.4 million

Table 2(a) Detailed employee related costs proposed adjustments

EMPLOYEE RELATED COSTS			
DEPARTMENT	ORIGINAL BUDGET	ADJUSTED BUDGET	VARIANCE
Executive & council	40 320 214	40 591 293	271 079
Corporate Services	23 791 324	21 779 114	(2 012 210)
BTO	42 811 153	40 733 058	(2 078 095)
PSED	16 917 016	17 061 796	144 780
Human Settlement	21 924 435	22 532 987	608 552
Community Services	47 660 529	48 131 924	471 395
Public Safety	71 286 672	84 818 668	13 531 996
Infrastructure	50 766 294	51 368 736	602 442
TOTAL	315 477 637	327 017 576	11 539 939

Table 2(b) Adjustments per department

SUMMARY OF BUDGET ADJUSTMENTS						
DEPARTMENTS	ORIGINAL BUDGET	Depreciation	ROLLOVE RS	ADJUSTMENTS	TOTAL MOVEMENTS	ADJUSTED BUDGET
EXECUTIVE & COUNCIL	84 540 066	-	223 635	(3 091 067)	(3 314 702)	81 225 364
CORPORATE SERVICES	46 737 147	-	294 477	(4 433 101)	(4 727 578)	42 009 569
BTO	301 007 031	59 984 336	430 000	(3 162 551)	56 391 785	357 398 816
PSED	27 333 138	-	1 033 995	(274 606)	(1 308 600)	26 024 538
HUMAN SETTLEMENT	26 616 821	-	449 250	(942 205)	(1 391 455)	25 225 367
COMMUNITY SERVICES	67 801 814	-	3 000 000	(4 091 220)	(1 091 220)	66 710 594
PUBLIC SAFETY	92 920 662	-		2 891 567	2 891 567	95 812 229
INFRASTRUCTURE	289 321 242	-	1 232 268	(4 330 592)	(3 098 324)	286 222 918
TOTAL	936 277 921	59 984 336	6 663 624	(17 433 773)	44 351 474	980 629 395

11. CAPITAL EXPENDITURE

DESCRIPTION	ANNUAL BUDGET	ADJUSTMENT	ROLL-OVERS	REVISED BUDGET	% Adj
	R'000	R'000	R'000	R'000	
Infrastructure Assets – Roads	87 023		514	87 537	0%
Infrastructure Assets – Electricity	15 300	(15 300)	57 977	57 977	277%
Infrastructure Assets - Human Settlement	19 531	78 846		98 377	403%
	121 854	63 546	58 491	243 891	100%

12. CAPITAL EXPENDITURE SOURCE OF FUNDINGS


DESCRIPTION	SOURCE OF FINANCE	2014-15 REVISED BUDGET	%
Infrastructure Assets – Roads & M-Tab	MIG	87 537	36 %
Infrastructure Assets – Electricity	DOE	57 977	24
Infrastructure Assets - Human Settlement	HUMAN SETTLEMENT	98 377	40 %
Total		243 891	100%

13.. SUPPRTING TABLES ANDSCHEDULE / ANNEXURES

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14 RECOMMENDATIONS

- 14.1 That the Executive Mayor considers the report in terms of section 54 (1) of the MFMA.
- 14.2 That the Executive Mayor, in terms of section 54(2)(a) (i) & (ii) of the MFMA, tables an adjustments budget as contemplated in section 28(a), (b), (d) and (f) of the MFMA.
- 14.3 That the adjustments budget, in terms of section 23 of the Municipal budget and reporting regulations 393 of 2009, be considered and tabled in the municipal council not later than 28 February 2015


 Municipal Manager 22/02/2015

Date: 27 February 2015