



BUFFALO CITY  
METROPOLITAN MUNICIPALITY

**AGENDA**

**BUFFALO CITY**  
**METROPOLITAN COUNCIL**

**27 AUGUST 2014**

**11.00 A.M.**



BUFFALO CITY  
METROPOLITAN MUNICIPALITY

**BUFFALO CITY METROPOLITAN COUNCIL**

The following supplementary report is circulated for consideration by the Buffalo City Metropolitan Council at its meeting to be held on

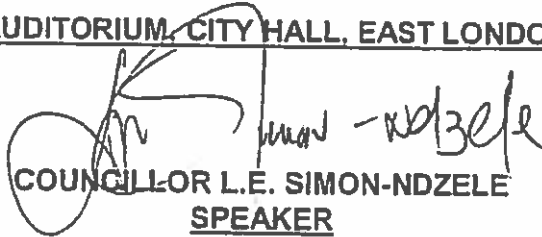
**WEDNESDAY, 27 AUGUST 2014**

at

**11.00 A.M.**

in the

**AUDITORIUM, CITY HALL, EAST LONDON**



**COUNCILLOR L.E. SIMON-NDZELE**

**SPEAKER**

JFA/LJH/MG/b

(AGENDAS/2014/F-PAGE/Bcmc-Supp (METRO)/3BCMC27-8)

City Hall  
Oxford Street  
EAST LONDON

18 AUGUST 2014

**REPORT**

15. Report of the Executive Mayor

<u>Item No.</u>	<u>Subject</u>	<u>Page No.</u>
13	Report on the Unspent 2013/2014 Own Funded and Unconditional Grants Operating and Capital Projects Roll-Over Adjustment Budget for the 2014/2015 Financial Year	266

## REPORT TO COUNCIL: 27 AUGUST 2014

File: 1/3/5/1  
 Author: EXECUTIVE MAYOR/(vp)

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**REPORT ON THE UNSPENT 2013/2014 OWN FUNDED AND UNCONDITIONAL GRANTS OPERATING AND CAPITAL PROJECTS ROLL-OVER ADJUSTMENT BUDGET FOR THE 2014/2015 FINANCIAL YEAR**

**1. PURPOSE**

The purpose of the report is for Council to consider and approve the roll-over of unspent 2013/14 own funded and unconditional grant operating and capital projects to the 2014/2015 financial year, as well as operational transfers.

**2. AUTHORITY**

Council

**3. LEGAL / STATUTORY REQUIREMENTS**

In terms of Chapter 4 Sections 28(1) to (7) of the Municipal Finance Management Act No. 56 of 2003, a municipality may adjust an approved budget through an adjustment budget.

In terms of Section 28 (2) (e) of the Municipal Finance Management Act No. 56 of 2003 a municipality:

*"(2) (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."*

In terms of Municipal Budget and Reporting Regulations, Regulation 23(5):

*"Reg. 23 (5) An adjustments budget referred to in section 28 (2) (e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate."*

#### **4. BACKGROUND**

During the preparation of the 2014/15 Medium Term Revenue and Expenditure Framework (MTREF) Budget, Directorates submitted requests for roll-over of own funded projects due to the fact that they anticipated not to spend the funding in the 2013/14 financial year. Subsequently it has become necessary to do an adjustment budget to accommodate the roll-overs of own funded projects which were already committed.

#### **5. EXPOSITION OF FACTS**

The adjustment budget comprises of the roll-over of own and unconditional grant funding that was committed in the 2013/14 financial year.

In terms of the operational budget, three requests for re-allocation of funds were received in respect of the following:

- R15.4 million allocated to sponsored sporting events, currently accounted for under Community Services, be transferred to Executive Support Services.
- R5.0 million to be transferred from Special Events within Executive Support to top-up Buffalo City Tourism.
- R2.7 million allocated to staff costs under projects be transferred to the permanent staff costs categories. Temp Data capturers from the Customer Care Office have been taken on as permanent employees.

All funding has been identified within the 2014/15 operating budget therefore there will be no financial impact on the tariffs.

#### **5.1 2014/15 OPERATING BUDGET ADJUSTMENT**

The revenue budget has been increased by R44 527 642 million, from R4 761 340 651 to R4 805 868 293, which can be seen in the table below under "Grants and Subsidies".

The expenditure budget has increased by R77 466 145 million, from R4 749 700 442 to R4 827 166 587. This is reflected in the increase in operating projects reflected below under the expenditure category.

The net result of the operating budget after the adjustments moves from a surplus of R11 640 209 to a deficit of R21 298 294.

**Table 1 – 2014/2015 OPERATING BUDGET ADJUSTMENT SUMMARY PER REVENUE SOURCE AND EXPENDITURE PER CATEGORY**

<b>2014/2015 1ST ADJUSTMENT BUDGET</b>	<b>2014/2015 ADOPTED BUDGET YR1</b>	<b>2014/2015 BUDGET ADJUSTMENTS</b>	<b>2014/2015 1ST ADJ BUDGET</b>	<b>2015/2016 ADOPTED BUDGET YR2</b>	<b>2016/2017 ADOPTED BUDGET YR3</b>
<b>Revenue Per Source</b>					
Assessment Rates	(826 221 072)	0	(826 221 072)	(919 584 053)	(1 023 497 051)
Refuse Charges	(251 704 249)	0	(251 704 249)	(282 663 871)	(317 431 528)
Sewerage Charges	(252 868 652)	0	(252 868 652)	(278 914 123)	(307 642 278)
Trade Effluent	(18 339 984)	0	(18 339 984)	(20 229 003)	(22 312 590)
Water Charges	(370 613 268)	0	(370 613 268)	(425 278 725)	(488 007 337)
Electricity Charges	(1 511 514 216)	0	(1 511 514 216)	(1 639 992 730)	(1 779 391 917)
Fire Levy	(56 669 204)	0	(56 669 204)	(61 939 440)	(67 699 808)
Fuel Levy	(361 639 000)	0	(361 639 000)	(375 787 000)	(393 084 000)
Grants and Subsidies	(828 531 073)	(44 527 642)	(873 058 715)	(940 779 225)	(1 049 334 628)
Fines	(9 400 009)	0	(9 400 009)	(10 293 009)	(11 250 259)
Housing Rentals	(140 168)	0	(140 168)	(153 483)	(167 757)
Other Rentals	(16 872 857)	0	(16 872 857)	(18 475 778)	(20 194 026)
Income Foregone	30 763 671	0	30 763 671	34 301 493	38 246 164
Other	(287 590 570)	0	(287 590 570)	(307 740 622)	(329 333 483)
<b>Total Direct Operating Income</b>	<b>(4 761 340 651)</b>	<b>(44 527 642)</b>	<b>(4 805 868 293)</b>	<b>(5 247 529 569)</b>	<b>(5 771 100 498)</b>
<b>Expenditure Per Category</b>					
Salaries, Wages & Allowances	1 237 215 012	2 700 000	1 239 915 012	1 323 020 691	1 414 808 151
Remuneration of Councillors	52 254 296	0	52 254 296	55 899 604	59 800 084
Debt Impairment	203 074 220	0	203 074 220	223 598 332	245 958 165
General Expenses	742 832 260	(2 700 008)	740 132 252	787 956 476	837 170 473
Operating Projects	210 971 670	77 466 153	288 437 823	329 136 923	440 947 900
Bulk Electricity Purchases	1 029 452 182	0	1 029 452 182	1 111 808 357	1 200 753 025
Bulk Water Purchases	172 403 915	0	172 403 915	188 437 479	205 962 165
Repairs & Maintenance	332 248 819	0	332 248 819	362 430 894	397 314 303
Finance Charges	59 248 068	0	59 248 068	54 122 904	49 128 885
Depreciation	710 000 000	0	710 000 000	809 574 423	850 053 145
<b>Total Direct Operating Expenditure</b>	<b>4 749 700 442</b>	<b>77 466 145</b>	<b>4 827 166 587</b>	<b>5 245 986 083</b>	<b>5 701 896 296</b>
Internal Charges	828 934 489	(828 934 489)		832 704 581	836 821 408
<b>Total Operating Expenditure</b>	<b>5 578 634 931</b>	<b>(751 468 344)</b>	<b>4 827 166 587</b>	<b>6 078 690 664</b>	<b>6 538 717 704</b>
Internal Recoveries	(828 934 489)	828 934 489		(832 704 581)	(836 821 408)
<b>Sub-Total</b>	<b>4 749 700 442</b>	<b>77 466 145</b>	<b>4 827 166 587</b>	<b>5 245 986 083</b>	<b>5 701 896 296</b>
Off-Set Depreciation	0	0	0	0	0
<b>Total Operating Expenditure</b>	<b>4 749 700 442</b>	<b>77 466 145</b>	<b>4 827 166 587</b>	<b>5 245 986 083</b>	<b>5 701 896 296</b>
<b>(Surplus) / Deficit</b>	<b>(11 640 209)</b>	<b>32 938 503</b>	<b>21 298 294</b>	<b>(1 543 486)</b>	<b>(69 204 202)</b>
<b>Capital Transfers</b>					
Transfers Recognised - Capital	(700 781 726)	(23 378 551)	(724 160 277)	(765 256 600)	(794 671 100)
Contri. Recognised - Capital	0	(458 860)	(458 860)	0	0
<b>Capital Transfers</b>	<b>(700 781 726)</b>	<b>(23 837 411)</b>	<b>(724 619 137)</b>	<b>(765 256 600)</b>	<b>(794 671 100)</b>
<b>(Surplus) / Deficit After Cap. Trf &amp; Contri.</b>	<b>(712 421 935)</b>	<b>9 101 092</b>	<b>(703 320 843)</b>	<b>(766 800 086)</b>	<b>(863 875 302)</b>

Fig. 1 – 2014/2015 OPERATING REVENUE BUDGET PIE CHART

## 2014/2015 1ST ADJUSTMENT BUDGET OPERATING REVENUE

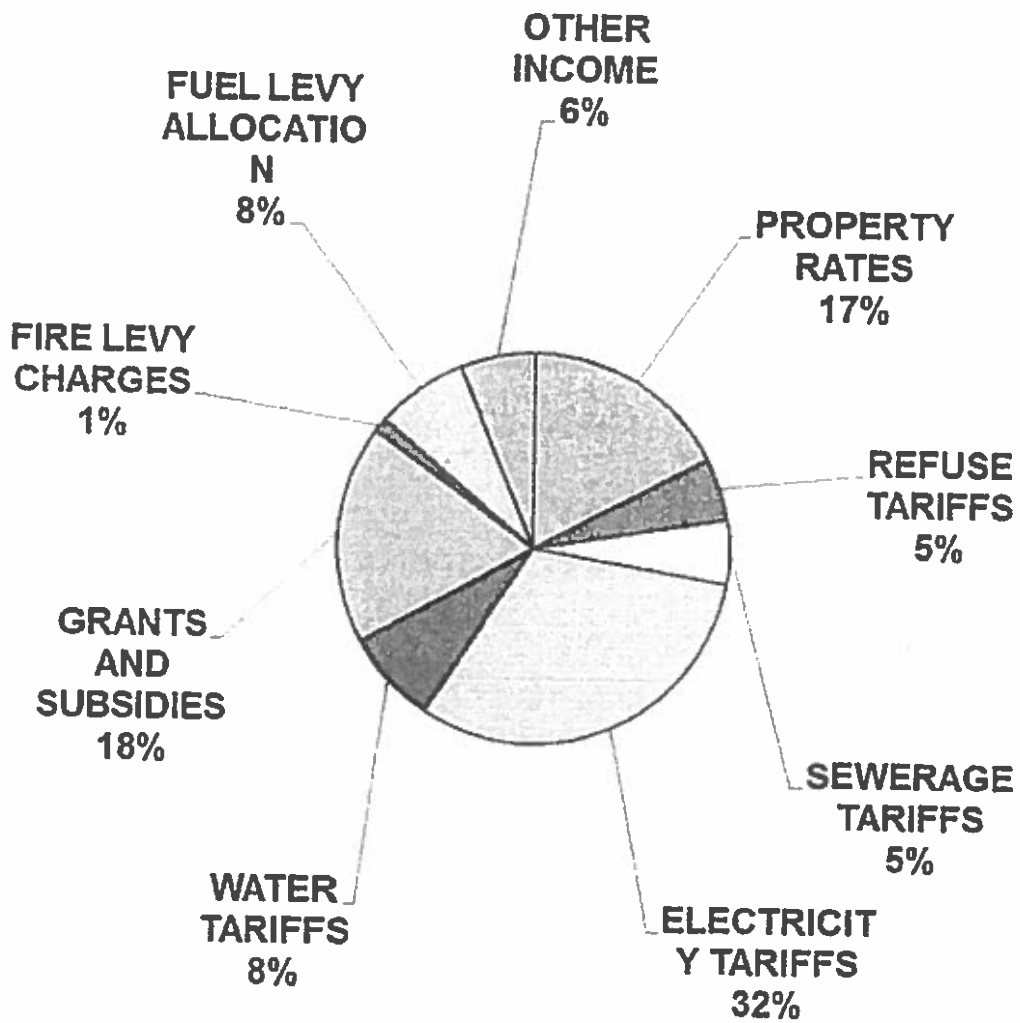


Fig. 2 – 2014/2015 OPERATING EXPENDITURE BUDGET PIE CHART

### 2014/2015 1ST ADJUSTMENT BUDGET OPERATING EXPENDITURE

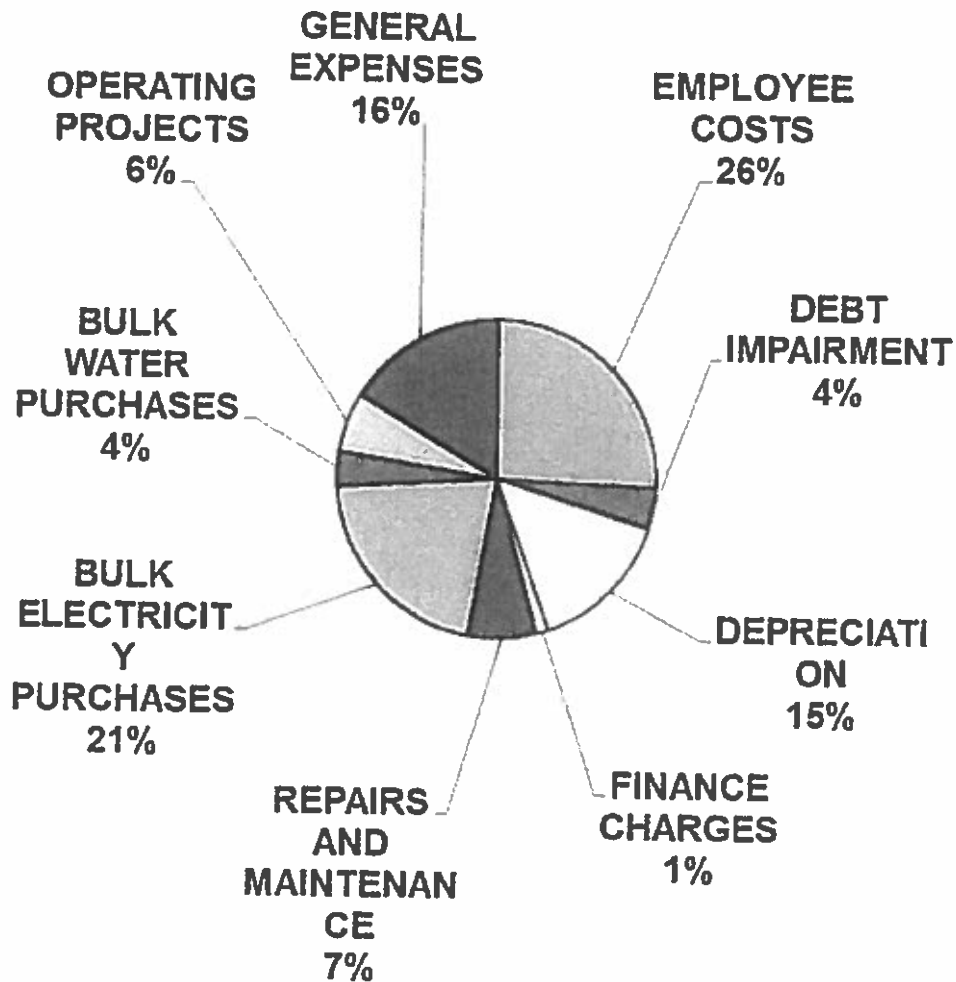


Table 2 reflects the adjustments to the rolled-over own-funded and conditional and unconditional grant-funded operating projects. This adjustment has resulted in an increase of R77 466 153 million to the operating projects budget from R210 971 670 million to R288 437 823 million (Refer to "Annexure A" for details).

**TABLE 2: 2014/15 OPERATING BUDGET PROJECTS ADJUSTMENT SUMMARY**

<b>OPERATING PROJECTS PER FUNDING SOURCE</b>	<b>2014/2015 Approved Opex Budget</b>	<b>2014/2015 1st Opex Adjustments</b>	<b>2014/2015 1st Adjusted Opex Budget</b>
<b>Own Funds</b>			
Own Funds	49 940 000	11 500 000	61 440 000
Own Funds c/o	0	21 518 512	21 518 512
<b>Total Own Funding</b>	<b>49 940 000</b>	<b>33 018 512</b>	<b>82 958 512</b>
<b>Grant Funding</b>			
Department of Land Affairs	777 243	0	777 243
Department of Local Government & Traditional Affairs	3 000 000	0	3 000 000
Department of Local Government & Traditional Affairs c/o	0	1 790 672	1 790 672
Department of Sport, Recreation and Arts and Culture	37 438	0	37 438
Dep. of Economic Dev, Environmental Affairs & Tourism	3 745 411	0	3 745 411
European Commission	500 000	0	500 000
Expanded Public Works Programme Incentives Grant	1 890 000	0	1 890 000
Finance Management Grant	1 500 000	0	1 500 000
Human Settlement Development Grant	99 938 108	(1 984 613)	97 953 495
Human Settlement Development Grant c/o	0	44 569 800	44 569 800
Infrastructure Skills Development Grant	5 400 000	0	5 400 000
Leiden	136 315	0	136 315
Local Government and Traditional Affairs	6 101 371	0	6 101 371
Premiers Fund	67 421	0	67 421
Reclaim Land Claims Commission(RLCC) c/o	0	71 782	71 782
Trust Funds	2 714 699	0	2 714 699
Umsobomvu Youth Fund	710 406	0	710 406
Urban Settlement Development Grant	33 464 500	0	33 464 500
Vuna Awards	1 048 758	0	1 048 758
<b>Total Grants</b>	<b>161 031 670</b>	<b>44 447 641</b>	<b>205 479 311</b>
<b>Total Funding</b>	<b>210 971 670</b>	<b>77 466 153</b>	<b>288 437 823</b>



### 5.1.1 COMMENTS ON THE OPERATING PROJECTS BUDGET

#### 5.1.1.1 Own Funds R11.5Million

- ❖ The Operating Projects for Local Economic Development were under budgeted by R7Million for the 2014/2015 Financial Year.
- ❖ Supply Chain Unit had an Approved Budget of R6Million for SCM Inventory Warehousing and Fencing under Capital Budget in this current financial year but further requested that an amount of R4, 5Million be transferred to Operating Projects to Top-Up the SCOA Project as they will only use R1, 5Million for the designs.
- ❖ An amount of R7Million has been transferred from Immovable Asset Project to Top-Up the SCOA Project.

#### 5.1.1.2 Own Funds Carry Overs 21.2Million

- ❖ R6,4Million is for Audit Improvement Plan. These funds are required to assist with the process to achieve a clean audit for the institution.
- ❖ R7Million is for Asset Componentisation Project. A service provider has been appointed to assist with Asset Componentisation. These funds are required to meet the annual financial commitments made to the service provider.
- ❖ R1,3Million is for SCM Capacity Projects. These funds are to ensure that sufficient funding is available for the temporary buyers which have been employed on a contract basis to replace buyers on suspension.
- ❖ R1,3Million is for Billing Data Clean-up. These funds are associated with the SLA project being undertaken by revenue management.

#### 5.1.1.3 Human Settlements Development Grant Carry Over R44 Million

- ❖ The funding is required to proceed with implementation of the projects. The under expenditure was caused by unforeseen circumstances which include, inclement weather conditions, National NUMSA strike, shortage in material supply, community unrest. Service providers are currently proceeding with project implementation.

#### 5.1.1.4 Human Settlements Development Grant R1,9Million

- ❖ R1,9Million HSDG Budget has been adjusted downwards to the allocated budget as per the letter from the Province.

#### 5.1.1.5 Department of Local Government and Traditional Affairs R1,7Million

- ❖ Budget was allocated to Duncan Village Quality of Life Survey as a planning project. The consultant to implement the project was appointed on 03 June 2014. The project is currently at implementation phase due for completion in October 2014.

### 5.2 2014/15 CAPITAL PROJECTS BUDGET ADJUSTMENTS

Table 3 reflects the adjustment to the rolled-over own-funded and unconditional grant-funded capital projects to the 2014/15 approved budget. The adjustment has resulted in an increase of R114 477 283 million to the capital projects budget from R942 007 423 million to R1 056 484 706 billion (Refer to Annexure B for details).

**TABLE 3: 2014/2015 CAPITAL PROJECTS BUDGET ADJUSTMENT**

CAPITAL PROJECTS PER FUNDING SOURCE	2014/2015 Approved Capex Budget	2014/2015 1st Capex Adjustments	2014/2015 1st Adjusted Capex Budget
<b><u>Own Funds</u></b>			
Own Funds	241 225 697	35 500 000	276 725 697
Own Funds c/o	0	55 139 872	55 139 872
<b>Total Own Funding</b>	<b>241 225 697</b>	<b>90 639 872</b>	<b>331 865 569</b>
<b><u>Grant Funding</u></b>			
BCMET c/o	0	256 818	256 818
DoE(Integrated National Electrification Programme)	27 000 000	0	27 000 000
DSRAC c/o	0	2 686 285	2 686 285
Local Government, Traditional Affairs and Housing	188 726	0	188 726
Leiden c/o	0	458 860	458 860
Infrastructure Skills Development Grant	100 000	0	100 000
Neighbourhood Development Partnership Grant	5 000 000	0	5 000 000
Urban Settlement Development Grant	639 824 500	0	639 824 500
Human Settlement Development Grant	18 600 000	0	18 600 000
Human Settlement Development Grant	0	20 435 448	20 435 448
Human Settlement Development Grant-MPCC	10 068 500	0	10 068 500
<b>Total Grants</b>	<b>700 781 726</b>	<b>23 837 411</b>	<b>724 619 137</b>
<b>Total Funding</b>	<b>942 007 423</b>	<b>114 477 283</b>	<b>1 056 484 706</b>

## 5.2.1 COMMENTS ON THE CAPITAL PROJECTS BUDGET

### 5.2.1.1 Own Funds R35,5 Million

- ❖ The R40 Million that was meant to fund the Replacement of Existing Roads in 2014/2015 Financial Year has been Re-Allocated to Solid Waste Mechanical Plant and Vehicles in order to reimburse 2013/2014 USDG Funding that was transferred to Roads Projects in the 2013/2014 Financial year.
- ❖ Supply Chain Unit had an Approved Budget of R6Million for SCM Inventory Warehousing and Fencing under Capital Budget in this current financial year but further requested that an amount of R4,5Million be transferred to Operating Projects to Top-Up the SCOA Project as they will only use R1,5Million for the designs.

### 5.2.1.2 Own Funds Carry Overs R55Million

- ❖ During the 2013/2014 Mid-Year Adjustment Budget an amount of R3Million was allocated to the Directorate of Executive Support for the procurement of Park Homes for Councillors Accommodation, the budget remains committed but unspent due to timeframe constrains as the Directorate had to approach Social Facilitation Committee which also had some input on the structure and form of the park homes, this has resulted in the cancellation of the initial tender contract number 3015. This happened towards the end of the financial year and it was impossible for the Directorate to request a re-advertisement with the new project scope and budget hence a Roll Over has been requested.
- ❖ R1,2Million for Office Furniture and Equipment for Councillors has been Rolled Over to 2014/2015 Financial Year due to the delay of procurement of park homes for Councillors.
- ❖ The tender for R1,4Million for the Back-Up Generator was awarded on 12 June 2014, however, due to the late award which has a bearing on the implementation of the project, the request for a rollover of the budget is required.
- ❖ ICT was given R 13 577 410 for the 2013/2014 financial year, spent 47% of this budget. The budget is for the Venus SOLAR Project and the procurement of Servers. Venus SOLAR project moved the scheduled go live due to infrastructure

challenges and the system not being ready for the BCMM environment and needed more testing. The project go live date was moved from June 2014 to December 2014, the funds are therefore going to be spent this financial year on the same project. The procurement of servers has since been awarded.

- ❖ Contract were awarded too late – for instance: Contract 3042 for the supply and delivery of new vehicles was only awarded 16 July 2014; too late to register and deliver the new vehicles before financial year end cut offs. Hence there was a request for the R19,8Million to be Rolled Over.
- ❖ In the 2013/2014 Financial Year an amount of R5,3Million was made available for the re-roofing of the East London City Hall. A Contractor was appointed to undertake the construction works, the work has just started. This work will need to be continued in the 2014/2015 financial year. Funds to re-roof the East London City Hall do not exist in the 2014/2015 financial year. The project cannot proceed without available funds. It is therefore crucial that the 2013/2014 budget be made available in the 2014/2015 financial year, in order to complete the project.

#### 5.2.1.3 Department of Sports, Recreation, Arts and Culture Carry Overs R2Million

- ❖ The R2Million for the Completion of Upgrading 2010 Stadia has been Rolled Over to 2014/2015 financial year.

#### 5.2.1.4 Human Settlements Development Grant Carry Overs R20Million

- ❖ The funding is required to proceed with implementation of the projects. The under expenditure was caused by unforeseen circumstances which include, inclement weather conditions, National NUMSA strike, shortage in material supply, community unrest. Service providers are currently proceeding with project implementation.

## 6 CHALLENGES

None

## 7 STAFF IMPLICATIONS

None.

## **8 FINANCIAL IMPLICATIONS**

8.1 The total amount of rolled-over operating and capital projects funded from own funds and unconditional grants is cash-backed by investments and does not have an impact on tariffs.

8.2 The effect of the adjustments are:

- An increase in the 2014/15 Approved Operating Budget from R4 749 700 442 billion to R4 827 166 587 billion.
- An increase in the Capital Budget from R942 007 423 million to R1 056 484 706 billion.

## **9. OTHER PARTIES CONSULTED**

All Directorates

Budget Steering Committee

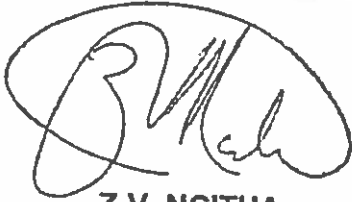
## **10. RECOMMENDATION**

It is recommended that:

- 10.1 Council considers and approves the 2014/15 operating and capital projects roll-over adjustment budget report.
- 10.2 Council approves the adjustments to the 2014/15 Operating Budget amounting to R77 466 145.
- 10.3 Council approves the adjustments to the 2014/15 Capital Budget amounting to R114 477 283.
- 10.4 Council approves the 2014/15 Adjusted Operating and Capital Budget in the sum of R191 943 428 as reflected in the table below.

OPERATING BUDGET	2014/2015 ADOPTED BUDGET YR1	2014/2015 BUDGET ADJUSTMENTS	2014/2015 1ST ADJ BUDGET	2015/2016 ADOPTED BUDGET YR2	2016/2017 ADOPTED BUDGET YR3
Total Operating Revenue	(4 761 340 651)	(44 313 289)	(4 805 653 940)	(5 247 529 569)	(5 771 100 498)
Total Operating Expenditure	4 749 700 442	77 466 145	4 827 166 587	5 245 986 083	5 701 896 296
Operating (Surplus) / Deficit	(11 640 209)	32 938 503	21 298 294	(1 543 486)	(69 204 202)

COMBINED OPERATING AND CAPITAL BUDGET EXPENDITURE	2014/2015 ADOPTED BUDGET YR1	2014/2015 BUDGET ADJUSTMENTS	2014/2015 1ST ADJ BUDGET	2015/2016 ADOPTED BUDGET YR2	2016/2017 ADOPTED BUDGET YR3
Total Operating Expenditure	4 749 700 442	77 466 145	4 827 166 587	5 245 986 083	5 701 896 296
Total Capital Expenditure	942 007 423	114 477 283	1 056 484 706	1 024 127 261	1 069 226 151
Total Opex & Capex Expenditure Budget	5 691 707 865	191 943 428	5 883 651 293	6 270 113 344	6 771 122 447



Z.V. NCITHA

**EXECUTIVE MAYOR**

V. Pillay / cb

**Annexures**

Annexure A – Operating Budget Projects Adjustment Schedule

Annexure B – Capital Budget Projects Adjustment Schedule.

Annexure C – National Treasury Tables