

BCMC
78/15

2014/15 MID-YEAR ADJUSTMENTS BUDGET REPORT

The attached document (Annexure 5) was tabled at the meeting.

At the request of the Deputy Executive Mayor, Alderman Badenhorst presented the report. He commented Councillors and Officials for the good work that had been done in the City.

Councillor Sam, on behalf of the African National Congress, welcomed the upward adjustment of the mid-year budget process. He said that they had not lost sight of the significance and implications for serious factors that were influencing the budget processes. He pointed out that they were condemning the non – expenditure of the budget and inability to plan by the service departments. He requested that there should be less grand excuses and more on efficiency, professionalism and compency on the part of the Administration should exercise supervision and management of the activities and that leadership of the Institution must no longer be comfortable with explanations from Management but there must be consequences on non-delivery of the targets that were set to all those responsible. He said that they had notes the positive aspects of the Mid-Year Budget Adjustment. He stated that the commitment of R180 million to be spent on service delivery to overdrive the “Back to Basics” programme had been considered by the ruling party because it strikes a balance between lowering the expenditure and asset replacement.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

Continuing, Councillor Sam stated that the amount of R120 million for asset replacement funding, which affirms the commitment to the national infrastructure roll out programme had been noted by the African National Congress. He said that this budget re-assures them of their obligation to job creation and an immediate return and implementation of Ward based labour intensive projects e.g. pothole maintenance project, water loss prevention project, ablution caretakers and stormwater drainage project. He said those projects had to continue until a permanent solution to the problems is found. He mentioned that as the Municipality was in a process of budgeting for the following financial year, they had noted the unfolding demarcation processes and its devastating financial implications as well as the financial implications of NERSA decision as compared to the Buffalo City Metropolitan Municipality tariffs structural policies. He stated that they were also aware of the budgetary strain imposed by Amatola water prices.

Councillor Sam requested clarity on the reduction of scope of work of Ilitha wooden houses project. He appealed that more focus should be on the issue of title deeds since the fund allocated for that purpose had not been spent. He urged the Office of the Executive Mayor to address the matter related to the depleted budget for Cluster 1 with the Provincial Government.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

The Speaker requested Councillors not to retire from the meeting because there would be no quorum whilst the issues that were discussed were about service delivery.

Councillor Muzzell appealed that more efforts to improve the IT systems because it was critical for the success of the operations in the Institution.

Councillor Mdyolo commented that the adjustment budget was “sweet” and “sour”. He said that it look good but there were areas of concern on it. He enquired what the delays were resulted in transferring the funds for Ikwezi Block 1 and 2 and Kanana projects to Duncan Village. He expressed concern that the budget for Kanana was at zero.

Councillor Sam clarified that the Council was not dealing with anew budget but was making adjustments on the approved budget. He stated that if there was no budget for Kanana in the initial budget, that would not be changed. He further clarified that there were contractors in Buffalo City Metropolitan Municipality who were not performing as required, hence there were delays in some projects. He added that if funds had not been spent, they could be transferred to another project and replaced in the following financial year.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

Councillor Mdyolo stated that an amount of R500 000 was budgeted for beneficiary registration for Kanana Village and that process had not been finalized.

Councillor Yenana stated that a contractor was on site at Cluster 2. She expressed concern that the budget allocated for Cluster 2 had been depleted. She enquired when would houses be built for the communities of Mathemba Vuso and Gwentshe informal settlements.

The City Manager clarified that he had instructed Officials the previous year to prepare specifications before the budget was approved that tenders would be advertised immediately once the budget was approved to avoid a situation whereby there would be non-spending in the first quarter. He said that all Officials who followed his instructions had no problem of non-spending. He stated that when the Administration was preparing for the budget adjustment, all those Managers who indicated that they would not spend the budget aligned to some projects had to explain the reasons therefore and he was busy accessing these reports.

He said that some Managers submitted reports to the Bid Specification Committee in November or December 2014 without any valid reasons. He mentioned that if money had not been spent in the current financial year, that would affect the roll-overs and funds would not be allocated in the following financial year, hence there was a need to transfer the money to

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

other projects. He acknowledged the fact that weather conditions and non-performing contractors had a contribution on the spending of the Institution.

The City Manager pointed out that action would be taken against those Officials who had not valid reasons for not spending the budget. He informed the Council that the turnaround time to re-submit a deferred report to the Bid Committees was forty eight hours but some Managers would take more than a month.

Referring to the IT system, the City Manager stated that a scoping exercise had been done. He said that IT is not computers nor e-0mails but a solution whereby an individual could be able to procure electricity or view progress on a project by just pressing a button. He mentioned that analysis had been finalized and positions had been advertised because there was skills shortage at IT department. H He informed the Council that bench marking on the post of an IT Manager who would be a strategic person that understands IT. He added that the position on IT Manager had been benchmarked to the level of a General Manager. He said that the optic fibre had been installed was working in East London and it would be extended to other regions of Buffalo City Metropolitan Municipality. He stated that funds were required to built the infrastructure of IT bur in the meantime the Administration would do all what was necessary to alleviate some of the challenges.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

He mentioned that the biggest problem which made it difficult to procure the systems was the absence of an Integrated Financial Management System. He said that all the systems had to be consolidated into one system but the National Treasury refused for the Municipalities to do that because the National Government had a National specification for the system. He added that he had attended a meeting in order to defy the instructions from the National Treasury because of an Integrated Financial Management System was disadvantaging the Municipality during auditing period.

In conclusion, he informed the Council that National Treasury had promised that before the end of the year 2015, he would inform the Municipality the type of a system that had to be procured.

The Acting Chief Operating Officer explained that funds for the construction of houses at Mathemba Vuso in Cluster 2 were still available and the contractor was on site. He added that the tender was advertised twice and there were challenges of appointing the proper contractor, hence there were delays in the construction of houses and that was reported to the Council.

Regarding Potsdam-Kanana, he referred the Council to page number 159 of the tabled report, under "Capital Budget", and stated that designs to

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

establish the settlement had to be conducted before the construction of the top structures, hence there were no funds available for the top structures.

Referring to Ilitha Wooden Houses project, the Acting Chief Operating Officer clarified that there were challenges of locating the first generation of beneficiaries because some had migrated. He said that out of the 262 beneficiaries, the Municipality managed to approve 121 beneficiaries thus far and 70 Units had been completed. He informed the Council that there would be no reduction in the scope of work, the project would proceed as planned.

Councillor Norexe expressed appreciation for the explanations provided by the Acting Chief Operating Officer and suggested that the Municipality should hire its own architects because the Ilitha North project was still in design stages since the 2011.

Councillor Quse, on a Point of Order, stated that when dealing with the adjustment budget on each project.

Councillor Maphuka expressed concern that there was no housing projects and no development at Ward 42. He further expressed concern that the amount of R20 million earmarked for the upgrading of swimming pool at Ward 42 had been reduced to R10 million.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

Councillor Mtintsilana stated that although Councillors were raising issues, the adjustment budget could not be amended at the stage. He urged the Municipality to always include the names of the villages in rural areas where roads would be upgraded as that was happening in urban areas e.g. Mdantsane, Gonubie. He further enquired what remedial action to those Managers who submits specifications and reports late to the Bid Committees.

The City Manager stated that he had to investigate whether there were valid reasons for not spending the budget and if not, action against those Managers would be taken. He stated that Managers were aware that he would not approach the National Treasury for roll-overs. He informed the Council that consideration on how the Bid Committees had been constituted would be given by the Top Management the following week because some Committee members were doing things as they wish. He said that there was a court decision on how to manage tender processes. He stated that there should be technical expertise to assist in the assessment of the tenders.

Continuing, the City Manager pointed out that the Heads of Directorates had to account for the delays in submitting report to the Bid Committees because that was affecting service delivery. He mentioned that some Officials do not attend Bid Committees to present their reports. He said

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

that all the appointed Senior Managers would be attending the Bid Committees so that they could be aware of the delays because that affects their performance. He stated that in some instances, junior officials were sent to present the reports at the Bid Committee meetings and they failed to respond to the questions asked, the report is deferred and be re-submitted after a month. He informed the Council that on Monday, 2 March 2015, membership of the Bid Committees would be changed by replacing the unskilled officials with the Heads of Directorates so that they could not complain that their projects were blocked at the Bid Committees.

Referring to the swimming pool, he clarified that if entire R10 million had not been spent by the end of financial year, the Municipality would lose the remaining amount because it was an Urban Settlement Development Grant, hence the amount had been reduced to R5 million and the other R5 million would be utilized where there was a shortage of funding. He added that the Directorate that had benefited the amount of R5 million would refund it in the following financial year. He stated that he had instructed the responsible Senior Managers to do some work at Nompumelelo Community Hall and at the swimming pool before the end of current financial year because the communities of these areas were promised during the IDP Budget roadshows that those projects were budgeted for.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

Councillor Caga accepted the explanation provided by the City Manager. He stated that the swimming pool was previously in Councillor Maphuka's Ward but had been changed to his Ward. He expressed concern that some of the facilities that were built by the Sebe regime had dilapidated. He emphasized that some should be done on the swimming pool. He reminded the City Manager that the community of his Ward was promised that something would be done on the rent office whilst still waiting for the construction of a community hall.

The Head of Directorate : Spatial and Development Planning explained that there were three areas of Informal Settlements when the plan was being prepared by the service provider. She said that the Informal Settlements had been graded in terms of their status. She further stated that some were located in dangerous areas, and some were too derided and some on state land. She reported that Nondula Informal Settlement was one of the high priority project and she had requested Councillor Maphuka via sms have a meeting with him in order to explain that some of the informal structures had to be relocated to the area that would be identified and some were planned under Nas programme. She requested Councillor Maphuka to visit her Office so that she could be able to provide him with all the information.

Councillor Sam requested Councillors to only speak on the adjustment budget.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

He stated that if all the Councillors were allowed to speak about their frustrations, the Council meeting would take the whole day. He requested Councillors to manage time and stick to the item. He said that the African National Congress had accepted the recommendations contained in the report and no Councillor had indicate disagreement on the matter. He proposed that the items be closed.

Councillor Mdyolo stated that he agreed with the adjustment budget on condition that the funds for Ikwezi would be refunded in the following financial year.

He advised the Council that in future a workshop should be arranged to discuss the adjustment budget before being submitted to the Council meeting for consideration so that Wards issues could not be raised at a Council meeting.

The Speaker enquired if the recommendations were agreed to and the explanation of the City Manager noted and agreement was indicated.

BUFFALO CITY METROPOLITAN COUNCIL : 27/02/2015

RESOLVED:

1. That the Council, having considered the 2014/15 Mid-Year Adjustment Budget Report, APPROVES the content thereof.
2. That the adjustment of the 2014/15 Operating Revenue Budget, from R4 789 868 293 to R4 4871 757 646, be APPROVED by the Council.
3. That the adjustment of the 2014/15 Operating Expenditure Budget, from R4 811 166 587 to R4 890 429 217, be APPROVED by the Council.
4. That the adjustment of the 2014/15 Capital Budget, from R1 056 484 706 to R1 168 745 004, be APPROVED by the Council.
5. That the explanations provided by the City Manager on issues related to the spending of the budget, be NOTED.