



# Verslag ♦ Ingxelo ♦ Report

Kantoor van die Direkteur: Finansies  
16 Januarie 2015

5/1/4  
WYK: Alle

## ITEM 7.3 VAN DIE AGENDA VAN 'N RAADSVERGADERING WAT GEHOU SAL WORD OP 29 JANUARIE 2015

**ONDERWERP: AANSUIWERINGSKAPITAAL EN BEDRYFSBEGROTING VIR DIE 2014/2015 FINANSIËLE JAAR; ONGEMAGTIGDE UITGAWES 2013/2014**

**SUBJECT: ADJUSTMENT CAPITAL AND OPERATING BUDGET FOR THE 2014/2015 FINANCIAL YEAR; UNAUTHORIZED EXPENDITURE 2013/2014**

### 1. AGTERGROND

In terme van artikel 28 van die MFMA moet die Raad, indien hy 'n aansuiweringsbegroting wil oorweeg, dit in terme van voormelde artikel doen. Onderstaande 'n uittreksel van artikel 28 van die MFMA:

#### 1.1 Section 28 *Municipal adjustments budgets*

(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 the council;*
- (f) *may correct any errors in the annual budget; and*
- (g) *may provide for any other expenditure within a prescribed framework.*

(3) *An adjustments budget must be in a prescribed form.*

(4) *Only the mayor may table an adjustments budget in the municipal council, but an adjustment budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*

(5) *When an adjustments budget is tabled, it must be accompanied by-*

- (a) *an explanation how the adjustments budget affects the annual budget;*
- (b) *a motivation of any material changes to the annual budget;*
- (c) *an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
- (d) *any other supporting documentation that may be prescribed.*

- (6) *Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) *Sections 22 (b), 23 (3) and 24 (3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.*

## 2. DISCUSSION

The adjustments i.t.o. items in the capital budget for 2014/2015 are indicated where comments are made in the applicable row in **Annexure A** (attached hereto). Capital projects which are already completed and of which the final expenditure are known, are also adjusted. Items that are influenced by virement, work in progress for 2013/2014 and also new projects for 2014/2015 as a result of emergencies are also included in the document.

There have been a few important changes to the operating budget that council should consider for approval. These changes make up the bulk of the reason why we have moved from a deficit of –R 30 929 516 to a deficit of – R15 542 704.

As part of the 2013/2014 financial year audit, there was unauthorized expenditure as on 30 June 2014 that council should consider for approval.

### 2.1 ON THE EXPENDITURE SIDE, SOME OF THE MAJOR CHANGES ARE AS FOLLOWS (SEE ATTACHED ANNEXURE B)

1. Employee Related Costs -Wages & Salaries increased by R4 335 682. This can mainly be attributed to the significant increase in the value of the Post- Employment Medical- Aid Benefits resulting in the increase in the contribution to the provision, which 2013/2014 actual were already more than the amount originally budgeted for in 2014/2015. The decrease of R1 004 690 on salaries is due to post's that became vacant and the decision was made to remove it from the organogram and salary budget.
2. Bad debt contribution increased by R16 050 000. The introduction of GRAP 23 and the new method of treating traffic fines contributed to this increase.
3. Repairs and maintenance increased by R784 448. This increase could mainly be attributed to the R 1 060 000 expenditure on Proclaimed Roads of which the grant was already included in the original 2014/2015 budget. The decrease of Vehicle Breakages is due to the fact that the insurance company will now cover the expense to rebuild the compactor of CK41806 onto the new truck.
4. Contracted Services decreased by R328 289 as a result of the saving on the new three year tender (T13/14/15 Hand Sweeping Street Cleansing Services) that was awarded.
5. Part of the general expenses increased by R35 465 000, due to an increase in grant funding from The Provincial Department of Human Settlements amounting to R24 465 000 for Housing Top Structures, R6 000 000 for Housing project: Phola Park, R3 000 000 for Planning: Municipal Flats and R2 000 000 for Social and Economic Facilities.
6. Financial Sundries, which is also part of the General Expenses decreased with R8 935 527 and reallocated to Revenue Foregone. Since the equitable share formula was adjusted from 1 July 2014, the remaining balance is now much lower due to the increase in equitable share households which increased the allocated budget per service.

### 2.2 ON THE INCOME SIDE

1. Increase in Revenue Foregone to the amount of R12 797 849 related to all the services and property rates as a result of an increase in Indigent Households as per Swartland's new equitable share criteria as from 1 July 2014.

2. All unspent grants and additional grants that were not originally budgeted for, as well as other conditional receipts requested for roll over, have been listed in the attached **Annexure C** for council's perusal.
3. Additional grants as published in the WC Adjusted Estimate and Provincial Gazette dated November 2014 and still to be published are as follows:
  - R 350 000 for a Long-term Financial Plan,
  - R 160 000 for the Annual Report Template, and
  - R 58 800 for Community Development Workers
  - R 222 000 for Multi-Purpose Centre (Thusong)

### 2.3 ON THE CAPITAL SIDE

(Self explanatory on attached **Annexure A**)

### 2.4 UNAUTHORIZED EXPENDITURE 2013/2014

#### 1. Unauthorized Expenditure: Capital

The capital budget was overspent by R 1 485 815 due to one of the municipality's High Compaction Refuse Truck that was used without the necessary permission and written-off in an accident on 24 February 2014. Due to a service-delivery requirement, a management decision was taken to replace the refuse truck in 2013/2014 and not in 2014/2015 as was planned for.

#### 2. Unauthorized Expenditure: Operating

The operational budget was overspent by an amount of R 21 427 526 mainly due to the significant increase in the value of the Post- Employment Medical- Aid Benefits resulting in the increase in the contribution to the provision which was more than the amount budgeted for. The budget for Post- Employment Medical- Aid Benefits were based on the previous year's actuarial calculation. The introduction of GRAP 23 and the new method of accounting for treating traffic fines contributed the amount of R 16 002 718 to the unauthorized expenditure. Vesting of properties in the name of council amounted to R 4 731 032 which were not budgeted for.

The overspendings in the various departments were as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| a) Civil Services: Administration -   | R 175 007           |
| b) Municipal Property Maintenance     | R 2 866 183         |
| c) Human Resources                    | R 23 727            |
| d) Marketing And Tourism              | R 32 235            |
| e) Town And Community Halls           | R 42 081            |
| f) Grants And Subsidies: Fmg          | R 982               |
| g) Financial Services: Administration | R 4 691 158         |
| h) Building Control                   | R 101 418           |
| i) Housing                            | R 146 235           |
| j) Occupational Health and Safety:    | R 3 790             |
| k) Licensing and Traffic services:    | R 529 199           |
| l) Policing and Law Enforcement       | R 12 815 511        |
|                                       | <b>R 21 427 526</b> |

With reference to what has been discussed above as background, the Adjusted 2014/2015 Capital and Operating Budgets as well as the Unauthorized Expenditure of 2013/2014 were presented to the Executive Mayoral Committee on 21 January 2015 and are tabled for council for consideration.

**RECOMMENDATION**

- a) That approval be granted for the virement of funds from one capital project to another as indicated in the attached **Annexure A** in respect of capital items in the 2014/2015 capital adjustments budget, as well as unspent capital and new suggested projects for 2014/2015 due to the urgency thereof;
- b) That the Director: Financial Services adhere to the statutory requirements of the MFMA and inform National and Provincial Treasury accordingly;
- c) That it be noted that the changes in the budget will have no financial implications in terms of an increase in tariffs in respect of the 2014/2015 financial year; however the adjustment budget have a positive decrease in deficit from R30 929 516 to R15 542 704;
- d) That the Unauthorised Expenditure as stated above be referred to the Adjustment budget of 2014/2015 in terms of section 32 of the MFMA.
- e) That approval be granted for the roll-over of unspent funds from government grants already approved by Provincial Treasury in respect of the 2013/2014 financial year as indicated in Council's financial statements as on 30 June 2014; (**Annexure D**)
- f) That approval be granted to amend the capital and operating budget for 2014/2015 as follows:

|                         | <u>Original Budget</u> | <u>Adjustment Budget</u> |
|-------------------------|------------------------|--------------------------|
| Capital:                | R 81 073 971           | R 107 495 708            |
| *Operating expenditure: | R 508 577 747          | R 558 781 947            |
| *Operating revenue:     | R 477 648 231          | R 543 239 243            |
| Surplus/ (Deficit):     | (R 30 929 516)         | (R 15 542 704)           |

\* Council must take note that the final income and expenditure as reported in the B schedules to National and Provincial Treasury will differ from the figures in ProMun, due to the fact that departmental charges are accounted for differently, however the end result in terms of the surplus and deficit remains unchanged.

**AANBEVELING**

- (a) Dat goedkeuring verleen word vir die virement van fondse tussen kapitaalprojekte soos aangedui in **Aanhangsel A** van kapitaalitems ten opsigte van die Aansuiweringskapitaalbegroting vir 2014/2015, asook ongespandeerde kapitaal en nuut voorgestelde projekte vir 2014/2015 as gevolg van die noodsaaklikheid daarvan;
- (b) Dat die nodige statutêre dokumentasie afgehandel word in terme van die MFMA en dat die Nasionale en Provinsiale Tesourie dienooreenkomstig ingelig word;
- (c) Dat die aanpassing geen verhoogde finansiële implikasie vir die Raad inhou in terme van verhoogde tariewe vir die 2014/2015 finansiële jaar nie, maar het die aansuiweringsbegroting wel 'n positiewe vermindering in die tekort van R30 929 516 na R15 542 704;
- (d) Dat die ongemagtigde bestedings soos hierbo vermeld ingevolge artikel 32 van die MFMA na die 2014/2015 Aansuiweringsbegroting verwys word;
- (d) Dat goedkeuring verleen word vir die oordra van ongespandeerde fondse vanaf staatstoekennings wat alreeds deur Provinsiale Tesourie geodkeur is t.o.v. die 2013/2014 finansiële jaar, soos aangedui in die Raad se finansiële state op 30 Junie 2014; (**Aanhangsel D**)
- (e) Dat goedkeuring verleen word om die kapitaal- en bedryfsbegroting vir 2014/2015 as volg te wysig:

Oorspronklike Begroting

Aansuiweringsbegroting

|                   |                |                |
|-------------------|----------------|----------------|
| Kapitaal:         | R 81 073 971   | R 107 495 708  |
| *Bedryfsuitgawe:  | R 508 577 747  | R 558 781 947  |
| *Bedryfsinkomste: | R 477 648 231  | R 543 239 243  |
| Surplus/(Tekort): | (R 30 929 516) | (R 15 542 704) |

*\*Dat die Raad kennis neem dat die finale inkomstes en uitgawes soos gerapporteer in die B-skedules aan Nasionale en Provinsiale Tesourie sal verskil van die syfers in ProMun, omrede die departementele kostes verskillend bereken word. Nieteenstaande bly die resultaat in terme van die surplus en tekort onveranderd.*

## BESLUIT

A: Ten aansien van die 2013/2014 finansiële jaar:

- (a) Dat goedkeuring verleen word vir die oordra van ongespandeerde fondse vanaf staatstoekennings wat alreeds deur Provinsiale Tesourie geodkeur is t.o.v. die 2013/2014 finansiële jaar, soos aangedui in die Raad se finansiële state op 30 Junie 2014 (Aanhangsel D);

B: Ten aansien van die 2014/2015 finansiële jaar:

- (b) Dat goedkeuring verleen word vir die virement van fondse tussen kapitaalprojekte soos aangedui in Aanhangsel A van kapitaalitems ten opsigte van die Aansuiwingskapitaalebegroting vir 2014/2015, asook ongespandeerde kapitaal en nuut voorgestelde projekte vir 2014/2015 as gevolg van die noodsaaklikheid daarvan;
- (c) Dat die nodige statutêre dokumentasie afgehandel word in terme van die MFMA en dat die Nasionale en Provinsiale Tesourie dienooreenkomstig ingelig word;
- (d) Dat die aanpassing geen verhoogde finansiële implikasie vir die Raad inhou in terme van verhoogde tariewe vir die 2014/2015 finansiële jaar nie, maar het die aansuiwingsbegroting wel 'n positiewe vermindering in die tekort van R30 929 516 na R15 542 704;
- (e) Dat die ongemagtigde bestedings soos hierbo vermeld ingevolge artikel 32 van die MFMA na die 2014/2015 Aansuiwingsbegroting verwys word;
- (f) Dat goedkeuring verleen word om die kapitaal- en bedryfsbegroting vir 2014/2015 as volg te wysig:

|                   | <u>Oorspronklike<br/>Begroting</u> | <u>Aansuiwings-<br/>begroting</u> |
|-------------------|------------------------------------|-----------------------------------|
| Kapitaal:         | R 81 073 971                       | R 107 495 708                     |
| *Bedryfsuitgawe:  | R 508 577 747                      | R 558 781 947                     |
| *Bedryfsinkomste: | R 477 648 231                      | R 543 239 243                     |
| Surplus/(Tekort): | (R 30 929 516)                     | (R 15 542 704)                    |

*\*Dat die Raad kennis neem dat die finale inkomstes en uitgawes soos gerapporteer in die B-skedules aan Nasionale en Provinsiale Tesourie sal verskil van die syfers in ProMun, omrede die departementele kostes verskillend bereken word. Nieteenstaande bly die resultaat in terme van die surplus en tekort onveranderd.*

## AFSKRIFTE:

1. Best: Sekr & Rekords – plaas advertensie in plaaslike koerante
2. Begrotingskantoor/DF – vir aandag en afhandeling van aksies voortspruitend

[aanhangsels op lêer]