

9111

ADJUSTMENT MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK (MTREF) 2013/2014

The report served before the Special Financial Services Portfolio Committee on 13 February 2014 and is submitted simultaneously to both the Executive Committee and Council. The recommendations with amendments were supported.

PURPOSE

To submit the Adjustment Medium Term Revenue and Expenditure Framework (MTREF) for the 2013/2014 Financial Year, as required in terms of Section 28 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and in terms of the Municipal Budget and Reporting Regulations.

IDP STRATEGY AND OBJECTIVES

Goal	Objective
1. Compliance with financial legislation and policies	<ul style="list-style-type: none"> • Ensure GRAP compliance • Ongoing review of SCM policies and procedures • Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models
2. Sustainable Financial Management	<ul style="list-style-type: none"> • Improve internal communication on budget matters • Maintenance of fixed asset register • Credit control and debt collection • Compliant internal controls • Compliant grant reporting • Obtain targeted cash-backed statutory reserves • Development and appropriate training and assistance to employees • Identify and redress water and electricity tampering

BACKGROUND

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

An Adjustments Budget according to Section 28(2):

- "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.”*

The Adjustments Budget must be accompanied by the following in accordance with Section 28(5):

- "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.”*

An Adjustments Budget according to Section 28(3 and 6):

- "(3) *An Adjustment Budget must be in a prescribed format*
- (6) *Municipal taxes and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan - section 28(6).”*

As mentioned above, the MFMA Section 28 (3) refers to a prescribed format according to which the adjustment budget is required to be prepared. National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare their Budgets as well as the in-year reporting effective from July 2010.

DISCUSSION

Council resolved in terms of Resolution 9085 dated 28 January 2014 that:

- “3. *a report dealing with the Adjustments Budget, in terms of Section 28 of the Municipal Finance Management Act be submitted to Council; ...”*

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of the Municipal Budget and Reporting Regulations in both printed and electronic formats.

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PART 1 - ADJUSTMENTS BUDGET

1. MAYOR'S REPORT

The Mayor's report will be presented at the Executive Committee meeting.

2. RESOLUTIONS

Refer to recommendations of this report.

3. EXECUTIVE SUMMARY

The following table represents an Executive Summary for the 2013/2014 Second Draft Adjustments Budget:

	Adopted 2013/2014 Budget	Proposed 2013/2014 First Draft Adjustment Budget (Mid-year results)	2013/2014 Second Draft Adjustment Budget	(Decrease) / Increase between Adopted & Second Draft Adjust Budget
	R '000	R '000	R '000	R '000
Revenue	1 997 756	2 178 452	2 178 852	181 096
Expenditure	1 989 414	2 171 318	2 173 609	184 195
(Deficit)/Surplus	8 342	7 134	5 244	(3 099)

As can be seen from the table above, the 2013/2014 Second Draft Adjustment Budget shows a surplus of R5,2 million. This has reduced from the Adopted Budget surplus of R8,3 million.

The Chief Financial Officer together with the Municipal Manager and the Deputy Municipal Managers found it extremely difficult to identify further reductions in the operating budget without impacting on service delivery.

The following are significant increases and decreases in revenue and expenditure. Detailed explanations are provided for in the report under section "Adjustments to Budget funding".

The Revenue budget has increased from the Adopted 2013/2014 Budget to the Second Draft Adjustment Budget. This is as a result of the following key issues:

- ☐ Increase in revenue from sale of electricity = R147 million
- ☐ Increase in revenue from sale of water = R7,8 million
- ☐ Decrease in revenue from sanitation fees = R1,4 million
- ☐ Increase in revenue from refuse removal fees = R1,3 million
- ☐ Increase in revenue from Property Rates = R5 million
- ☐ Decrease in revenue from rental of facilities and equipment = R1,7 million
- ☐ Increase in revenue from interest earned on external investments = R5,9 million
- ☐ Decrease in revenue from fines = R0,8 million
- ☐ Increase in revenue from operating grants and subsidies = R 17,3 million (detail in 6.4)

The expenditure budget has increased from the Adopted 2013/2014 Budget to the Second Draft Adjustment Budget. This is as a result of the following key issues:

- ☐ Increase in Electricity Purchases = R128,2 million
- ☐ Increase in Water Purchases = R 0,8 million

- ❑ Increase in Overtime Expenditure = R2,4 million
- ❑ Increase in Legal Fees = R 5 million
- ❑ Increase in Rental of Equipment and Vehicles = R19,2 million
- ❑ Increase in Repairs and Maintenance = R10,6 million

The table below depicts further decreases and increases in revenue and expenditure.

(Decreases)/Increases in revenue and expenditure		
	Revenue	Expenditure
	R' 000	R' 000
Adopted 2013/2014 Budget (excluding capital grants)	1 997 756	1 989 414
Property Rates	5 000	
Sale of Electricity	147 122	
Sale of Water	7 828	
Sanitation Fees	(1 400)	
Refuse Removal Fees	1 340	
Agency Services	400	
Transfers Recognised – Operational	17 359	
Rental of Facilities and Equipment	(1 792)	
Fines	(800)	
Interest on Investments	5 948	
Other net effect of Increases and (Decreases) in Revenue	90	
Employee Related Costs		(11 691)
Employee Related Costs (Overtime)		2 416
Bulk Purchases Electricity		128 262
Bulk Purchases on Water		824
Repairs and Maintenance - Material		2 909
Repairs and Maintenance – Contracted Services		8 400
Contracted Services - TMT		(2 164)
Contracted Services – Sewerage Purification works		5 444
Contracted Services – Water Purification works		3 908
Contracted Services – Meter Reading		739
Advertisements		875
Bank Charges		1 555
Commissions (Third party vending)		3 500
Community Facilitation		489
Consultancy Fees		3 266
Delegation Fees		121
Entertainment		452
Environmental Projects		146
Examination of Samples		120
Legal Fees		5 049
Membership Fees		709
Printing and Stationery		2 501

(Decreases)/Increases in revenue and expenditure		
	Revenue	Expenditure
	R' 000	R' 000
Security		1 509
Rental of equipment and vehicles		19 223
Marketing Projects and Social development		85
Programming Material		633
Small tools		380
Subsistence and Travelling		366
Telephone		269
Uniforms		378
Other net effect of Increases and (Decreases)		3 522
Second Draft 2013/2014 Adjustments Budget	2 178 852	2 173 609

The 2013/2014 Second Draft Adjustments Operational Budget amounting to **R2 173 608 700** comprises of the following elements:

Expenditure per category	Adopted Budget 2013/2014	% of Budget	2013/2014 Second Draft Adjustment Budget	% of Adj. Budget	Actual Expenditure at 31/01/2014
	R'000		R'000		R'000
Employee related costs	508 764	26%	499 490	23%	277 453
Remuneration of Councillors	21 529	1%	21 529	1%	10 031
Debt Impairment	2 075	1%	2 075	1%	1 210
Depreciation and Offsetting of depreciation	145 218	7%	145 218	7%	84 710
Finance Charges	75 538	4%	73 038	3%	44 064
Bulk Purchases – Electricity	830 923	42%	959 186	44%	567 656
Bulk Purchases - Water	97 958	5%	98 782	5%	43 975
Other Materials	24 033	1%	26 943	1%	12 654
Contracted Services	129 661	7%	147 463	7%	76 308
Transfers and Grants	9 904	1%	10 216	1%	3 879
Other Expenditure	143 811	5%	189 668	7%	85 964
TOTAL	1 989 414		2 173 609		1 207 905

The source of funding the above is made up of the following revenue categories:

Expenditure per category	Adopted Budget 2013/2014	% of Budget	2013/2014 Second Draft Adjustment Budget	% of Adj. Budget	Actual Revenue 31/01/2014
	R'000		R'000		R'000
Rates	275 000	13%	280 000	12%	162 344
Service Charges - Electricity Revenue	1 141 500	55%	1 288 622	53%	828 701
Service Charges - Water Revenue	166 853	8%	174 681	7%	105 154
Service Charges - Refuse Revenue	57 050	3%	58 390	2%	34 114
Service Charges - Sanitation Revenue	74 241	4%	72 841	3%	42 415
Service Charges - Other Revenue	12 472	1%	12 934	1%	8 333
Operating Grants and Subsidies - Equitable Share	190 384	10%	190 384	9%	111 431
Operating Grants and Subsidies - Other Grants	29 251	1%	46 610	2%	11 609
Rental of facilities and equipment	10 878	1%	9 086	1%	7 782
Interest Received - External Investments	4 152	1%	10 100	1%	4 591
Interest Received - Outstanding debtors	1 597	1%	1 673	1%	819
Fines	10 102	1%	9 302	1%	5 220
Licenses and permits	2 747	1%	1 846	1%	973
Agency services	5 800	1%	6 200	1%	3 718
Other Revenue	15 729	1%	16 183	1%	4 743
TOTAL	1 997 756		2 178 852		1 331 947

Below is a summary indicating the 2013/2014 Second Draft Adjustment Capital Budget

Adopted Budget 2013/2014	Proposed 2013/2014 First Draft Adjustment Budget (Mid-year results)	2013/2014 Second Draft Adjustment Budget	Actual Expenditure at 31/01/2014	Orders Placed – Payments Pending	% spent / adj. budget
R '000	R '000	R '000	R '000	R'000	
338 714	467 984	467 890	59 130	62 693	13%

The table below indicates the 2013/2014 Second Draft Adjustment Capital Budget by Government Financial Statistics (GFS) classification.

Function	Adopted Budget 2013/2014	Proposed 2013/2014 First Draft Adjustment Budget (Mid- year results)	2013/2014 Second Draft Adjustment Budget	Actual Expenditure at 31/01/2014	% spent / adj. budget
	R '000	R '000	R '000	R '000	
Executive and Council	375	450	450	227	50%
Budget and Treasury Office	4 751	104	104	56	54%
Corporate Services	37 027	44 625	45 325	8 371	18%
Community and Social services	16 572	19 493	19 444	3 776	19%
Sport and Recreation	24 693	27 469	27 369	1 301	5%
Public Safety	13 697	14 742	14 742	1 184	8%
Housing	0	26 244	26 244	2 041	8%
Health	6 193	5 932	5 838	478	8%
Planning and Development	156	112	112	33	29%
Road Transport	37 780	29 511	29 005	4 204	14%
Electricity	58 818	81 351	81 306	6 088	7%
Water	55 372	140 393	153 668	20 822	14%
Waste Man.- Sanitation	72 259	71 354	58 079	10 508	18%
Waste Man.- Solid waste	11 021	6 204	6 204	38	1%
Total	338 714	467 984	467 890	59 130	13%

The table below indicates the sources of funding for the 2013/2014 Second Draft Adjustment Capital Budget.

TYPE OF FUNDING	Adopted Budget 2013/2014	Proposed 2013/2014 First Draft Adjustment Budget (Mid-year results)	2013/2014 Second Draft Adjustment Budget	Actual Expenditure at 31/01/2014	% spent / adj. budget
	R '000	R '000	R '000	R '000	R '000
External loans	136 119	125 022	122 772	12 148	10%
Capital replacement Reserve	87 820	79 232	81 388	16 645	20%
MIG	83 697	83 697	83 697	0	0%
MIG – Roll over	0	64 764	64 764	25 333	39%
Other Government Grants – National	0	39 586	39 586	0	0%
Other Government Grants – National (roll over)	0	6 683	6 683	0	0%

TYPE OF FUNDING	Adopted Budget 2013/2014	Proposed 2013/2014 First Draft Adjustment Budget (Mid-year results)	2013/2014 Second Draft Adjustment Budget	Actual Expenditure at 31/01/2014	% spent / adj. budget
	R '000	R '000	R '000	R '000	R '000
Other Government Grants - Province	10 000	10 000	10 000	1 286	13%
Other Government Grants - Province (roll over)	0	37 922	37 922	756	2%
Public Contributions	16 237	16 237	16 237	2 833	17%
Reserves	4 841	4 841	4 841	129	3%
Total	338 714	467 984	467 984	59 130	13%

4. ADJUSTMENTS BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 927003**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEXURE
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5. ADJUSTMENTS TO BUDGET ASSUMPTIONS

5.1 Capital

In terms of Council Resolution 8763 dated 25 September 2013, the Chief Financial Officer (CFO) prepared the Budget guideline document which set out the requirements for the preparation of the 2013/2014 Adjustment Budget. Departments were required to submit their Capital Adjustment Budget figures by 1 November 2013.

Departments were required to ensure that their figures were kept in line with the 2013/2014 Adopted Budget figures.

No new internal funding for capital projects except for formalisation of roll-over grant funding and application to DME for electrification.

5.2 Operating

In terms of Council Resolution 8763 dated 25 September 2013, the CFO prepared the Budget guideline document which set out the requirements for the preparation of the 2013/2014 Adjustment Budget. Departments were required to submit their Operating Adjustment Budget figures by 1 November 2013.

Inclusion was made of the various Council resolutions and critical additional operational amounts e.g. Plant Hire – water tankers and rural roads as well as ensuring that additional funding was provided for Repairs and Maintenance items.

6. ADJUSTMENTS TO BUDGET FUNDING

6.1 Capital Budget by Function

Function	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Savings / (Over) Expenditure	Actual Expenditure at 31/01/2014
	R '000	R '000	R '000	R '000
Executive and Council	375	450	(75)	227
Budget and Treasury Office	4 751	104	4 647	56
Corporate Services	37 027	45 325	(8 298)	8 371
Community and Social Services	16 572	19 444	(2 872)	3 776
Sport and Recreation	24 693	27 369	(2 676)	1 301
Public Safety	13 697	14 742	(1 045)	1 184
Housing	0	26 244	(26 244)	2 041
Health	6 193	5 838	355	478
Planning and Development	156	112	44	33
Road Transport	37 780	29 005	8 775	4 204
Electricity	58 818	81 306	(22 488)	6 088
Water	55 372	153 668	(98 296)	20 822
Waste Management- Sanitation	72 259	58 079	14 180	10 508
Waste Management- Solid waste	11 021	6 204	4 817	38
Total	338 714	467 890	(129 177)	59 130

6.2 Capital Budget by Source of Funding

TYPE OF FUNDING	Adopted Budget 2013/2014	Proposed 2013/2014 First Draft Adjustment Budget (Mid-year results)	2013/2014 Second Draft Adjustment Budget	Actual Expenditure at 31/01/2014	% spent / Adj. budget
	R '000	R '000	R '000	R '000	R '000
External loans	136 119	125 022	122 772	12 148	10%
Capital replacement Reserve	87 820	79 232	81 388	16 645	20%
MIG	83 697	83 697	83 697	0	0%
MIG – Roll over	0	64 764	64 764	25 333	39%
Other Government Grants – National	0	39 586	39 586	0	0%

TYPE OF FUNDING	Adopted Budget 2013/2014	Proposed 2013/2014 First Draft Adjustment Budget (Mid-year results)	2013/2014 Second Draft Adjustment Budget	Actual Expenditure at 31/01/2014	% spent / Adj. budget
	R '000	R '000	R '000	R '000	R '000
Other Government Grants – National (roll over)	0	6 683	6 683	0	0%
Other Government Grants – Province	10 000	10 000	10 000	1 286	13%
Other Government Grants – Province (roll over)	0	37 922	37 922	756	2%
Public Contributions	16 237	16 237	16 237	2 833	17%
Reserves	4 841	4 841	4 841	129	3%
Total	338 714	467 984	467 984	59 130	13%

A detail of the revised Adjustments 2013/2014 Capital Budget (**DMS 930619**) is attached on **Annexure AU – circulated under separate cover.**

The following table sets out the reallocation (movement) of the capital budget, of the R338 million originally approved plus the grant roll over amounts of R109,3 million, R312 million has been reallocated as follows. Refer to the Component 5 of the SDBIP for the full capital budget included as Annexure AT (DMS 930619).

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
255/472/09	ITS – Electricity Supply Services	RES	Dumisane Makhaye Village Electrification	2 970 000
Total Additional projects - Reserves				2 970 000
213/536/0	City Development	CRR	Bar fridge for HOD: Economic Development	400
213/536/02	City Development	CRR	Comb Binder and A3 Laminator	5 600
213/536/05	City Development	CRR	Fridge – Empangeni Office	2 800
213/536/06	City Development	CRR	Bar Fridge for HOD: Urban And Regional	1 700
245/516/11	City Development	CRR	Municipal Wetland Management Plan Phase 1	200 000
205/532/07	Community Services – Health and Public Safety	CRR	Richards Bay Fire Brigade – Structural Upgrades	111 200
205/532/09	Community Services – Health and Public Safety	CRR	Empangeni Fire Station – Construction	40 000
205/532/10	Community Services – Health and Public Safety	CRR	Shelving – Richards Bay Fire Station	2 900
205/544/0	Community Services – Health and Public Safety	CRR	Office Furniture	3 200
209/532/04	Community Services – Health and Public Safety	CRR	Renovations - Staff Toilet Brackenham Clinic	55 000
210/532/05	Community Services – Health and Public Safety	CRR	Upgrade Alarms	64 000
212/532/03	Community Services – Health and Public Safety	CRR	Amendments to Strong-room and Eye Testing Area	20 000
212/532/04	Community Services – Health and Public Safety	CRR	Cubicles – Richards Bay and Empangeni	50 000
212/532/07	Community Services – Health and Public Safety	CRR	Upgrade for air-conditioning	29 000
212/532/08	Community Services – Health and Public Safety	CRR	Tint windows and glass door	17 000
212/544/01	Community Services – Health and Public Safety	CRR	Furniture for Licensing Cubicle	51 600
219/532/79	Community Services – Health and Public Safety	CRR	Upgrade of waste Management Depot 7 office	24 500

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
219/532/100	Community Services – Health and Public Safety	CRR	2 x Air conditioners for community services	25 000
219/532/138	Community Services – Health and Public Safety	CRR	6 Air conditioners Fire stations	80 000
271/500/322	Community Services – Health and Public Safety	CRR	7 x Traffic Control Sedans	291 200
271/500/331	Community Services – Health and Public Safety	CRR	1 x Fire Engine	1 500 200
271/500/332	Community Services – Health and Public Safety	CRR	2 x Refuse Trucks	4 700 000

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
271/500/335	Community Services – Health and Public Safety	CRR	Vehicle-Personnel Carrier	490 000
282/536/48	Community Services – Health and Public Safety	CRR	Printers-Traffic	10 000
223/532/04	Community Services – Recreation and Environmental Services	CRR	Empangeni Parks Section Ablutions-Refurbishment	261 500
224/532/21	Community Services – Recreation and Environmental Services	CRR	eSikhaleni College Courts Upgrade	200 000
224/532/22	Community Services – Recreation and Environmental Services	CRR	J2 Tennis Courts Upgrade	200 000
224/532/25	Community Services – Recreation and Environmental Services	CRR	Upgrading Sport 7 recreation Brackenham	150 000
224/532/26	Community Services – Recreation and Environmental Services	CRR	Upgrade Change rooms - Ngwelezane	79 000

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
224/536/08	Community Services – Recreation and Environmental Services	CRR	Sports Facilities - Equipment	67 200
227/532/15	Community Services – Recreation and Environmental Services	CRR	Shower Doors	700
242/532/31	Community Services – Recreation and Environmental Services	CRR	Air Conditioners – Various Pools	16 000
242/532/44	Community Services – Recreation and Environmental Services	CRR	Upgrade Filter – Nseleni Pool	60 000
242/544/01	Community Services – Recreation and Environmental Services	CRR	New and Replacement Furniture	9 500
264/532/10	Community Services – Recreation and Environmental Services	CRR	Alarm Systems for Museum	6 000
264/536/03	Community Services – Recreation and Environmental Services	CRR	Refrigerator for Museum	4 500
282/532/29	Community Services – Recreation and Environmental Services	CRR	Telemetry (Community Services)	100 000
282/536/09	Community Services – Recreation and Environmental Services	CRR	Workstation Office H01-07 (Community Services)	8 500
201/544/03	Corporate Services - Administration	CRR	Office Furniture	136 000
216/532/28	Corporate Services - Administration	CRR	Gobandlovu Hall – Upgrade (Constructed Guard House)	31 200
216/532/35	Corporate Services - Administration	CRR	Nhlangenyuka Hall – Refurbishment	200 000
216/536/05	Corporate Services - Administration	CRR	Electrical Appliances for Gobandlovu Hall	9 000
216/536/06	Corporate Services - Administration	CRR	Industrial stove for Empangeni Hall	11 400
216/536/07	Corporate Services - Administration	CRR	Electrical Appliances for Madlankala Hall	8 400

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
282/532/23	Corporate Services - Administration	CRR	Upgrade Training Centre	2 000
282/532/24	Corporate Services - Administration	CRR	ICT Research and Development (R&D)	46 300
282/536/56	Corporate Services - Administration	CRR	New and Replacement of IT Related Equipment	25 000
282/536/64	Corporate Services - Administration	CRR	Integrated Water Quality Management System	505 000
277/532/05	Corporate Services – Human Resources	CRR	Steel Shelving for SHE Administrator	2 800
277/544/0	Corporate Services – Human Resources	CRR	Office Furniture	400
282/536/63	Corporate Services – Human Resources	CRR	Laptop – Chief Labour Relations Officer	15 000
219/532/101	Financial Services	CRR	Air conditioners	90 000
219/532/117	Financial Services	CRR	Industrial Fans x 2-Ngwelezane (FS)	8 000
240/536/06	Financial Services	CRR	GPS for Revenue Section	10 000
240/536/07	Financial Services	CRR	Note Counter	32 000
240/536/08	Financial Services	CRR	Fridge x 2	10 000
266/536/04	Financial Services	CRR	Fridge	5 000
266/536/05	Financial Services	CRR	Battery for Hyster	40 000
271/500/323	Financial Services	CRR	Vehicle – 1 x Finance Expenditure Section	287 600
282/532/28	Financial Services	CRR	Data Points - SCM	45 000
282/536/61	Financial Services	CRR	Microphone and Webcam	10 000
282/536/65	Financial Services	CRR	Big Screen Financial Services	25 000
282/536/66	Financial Services	CRR	Digital Voice Recording	15 000
241/576/20	ITS – Electricity Supply Services	CRR	John Ross/Empangeni Main Street Lighting	2 000 000
241/576/26	ITS – Electricity Supply Services	CRR	Empangeni Main Road Intersection	640 300
241/576/27	ITS – Electricity Supply Services	CRR	Mandlankala Street Lighting Project	2 450 000

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
255/532/26	ITS – Electricity Supply Services	CRR	11KV Switching Substation	77 900
255/532/27	ITS – Electricity Supply Services	CRR	Protection Relay – Hydra Substation	58 500
255/532/28	ITS – Electricity Supply Services	CRR	Capella Switching Station	250 000
255/536/12	ITS – Electricity Supply Services	CRR	3 x Clamp On Amp Meter Instruments	90 000
255/536/13	ITS – Electricity Supply Services	CRR	PD Tester Auxillary Equipment	25 000
255/672/16	ITS – Electricity Supply Services	CRR	Consultant for Hydra Substation	116 000
257/536/01	ITS – Electricity Supply Services	CRR	Tools (Meter Instruments)	5 000
272/536/15	ITS – Electricity Supply Services	CRR	Bar Fridges	8 500
272/536/16	ITS – Electricity Supply Services	CRR	Switching Flash Protection Suits	120 000
283/536/06	ITS – Electricity Supply Services	CRR	Shelter Globe – Globe Crushing Machine	100 000
283/536/07	ITS – Electricity Supply Services	CRR	Electrical Tools	38 000
238/536/06	ITS – Engineering Support Services	CRR	Wheelchair	20 000
238/544/0	ITS – Engineering Support Services	CRR	Office Furniture – Engineering Support	1 500
270/536/05	ITS – Engineering Support Services	CRR	Heavy Duty Impact Tool	6 000
276/536/01	ITS – Engineering Support Services	CRR	Radios	100 000
222/536/02	ITS – Transport, Roads and Stormwater	CRR	Fridge	2 100
222/572/79	ITS – Transport, Roads and Stormwater	CRR	Civil Services Infill Areas (J2 and H2 Area)	6 517 600
270/536/02	ITS – Transport, Roads and Stormwater	CRR	Concrete Mixer (Transport, Roads Western Section)	78 800
270/536/03	ITS – Transport, Roads and Stormwater	CRR	Road Marking Machine	209 200
270/536/06	ITS – Transport, Roads and Stormwater	CRR	Crack Sealing Machine	698 000
219/532/98	ITS – Water and Sanitation Services	CRR	Installation of Geyser at Service Centre	129 200
219/532/99	ITS – Water and Sanitation Services	CRR	Air conditioner for eSikhaleni Superintendent Office	7 700
234/532/25	ITS – Water and Sanitation Services	CRR	Generator Lake Cubu Water Treatment Plant	1 977 800

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
243/536/03	ITS – Water and Sanitation Services	CRR	Standby Pumps	963 000
249/536/02	ITS – Water and Sanitation Services	CRR	Fridge – Water Loss Section	6 000
249/584/02	ITS – Water and Sanitation Services	CRR	Water Loss Intervention	34 800
270/536/04	ITS – Water and Sanitation Services	CRR	1 x Andrag Pump (Water and Sanitation Services)	168 800
274/532/02	ITS – Water and Sanitation Services	CRR	Clocking Machines	14 000
274/536/10	ITS – Water and Sanitation Services	CRR	Binding and Laminator Machine for Water and Sanitation	9 000
274/536/11	ITS – Water and Sanitation Services	CRR	Recorder – Secretary : Head of Water and Sanitation	1 500
282/536/62	ITS – Water and Sanitation Services	CRR	3 x Notebook for Water and Sanitation	37 500
287/536/01	ITS – Water and Sanitation Services	CRR	Pumpstations	176 000

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
239/544/01	Office of the Municipal Manager	CRR	Re-Design of Office Furniture	74 900
Capital Replacement Reserve				27 720 900
205/632/06	Community Services – Health and Public Safety	EFF	eSikhaleni Fire Station – Plan and Construct	3 741 900
205/632/07	Community Services – Health and Public Safety	EFF	2 x Container for Structural Fire Fighting	40 000
209/632/05	Community Services – Health and Public Safety	EFF	Park Home R/Bay – TB Patients	505 000
271/600/108	Community Services – Health and Public Safety	EFF	1 x Mini Bus (Traffic)	410 000
219/632/50	Community Services – Recreation and Environmental Services	EFF	Air conditioner for Sport and Recreation	8 000
224/632/15	Community Services – Recreation and Environmental Services	EFF	New Field Courts – Upgrade	320 000
224/632/19	Community Services – Recreation and Environmental Services	EFF	New Field Courts – Upgrade	430 000

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
273/632/02	Community Services – Recreation and Environmental Services	EFF	Upgrade of eSikhaleni Parks Depot	225 000
273/644/01	Community Services – Recreation and Environmental Services	EFF	eSikhaleni Parks Depot – Steel Lockers	60 000
216/632/15	Corporate Services – Administration	EFF	Mandlankala Hall – Refurbishment	401 400
216/632/20	Corporate Services – Administration	EFF	Mandlazini Hall – Upgrade (Construct Guard House)	36 000
216/632/22	Corporate Services – Administration	EFF	Empangeni Hall – Upgrade	420 000
282/632/37	Corporate Services – Administration	EFF	IT Infrastructure	187 400
282/636/26	Corporate Services – Administration	EFF	Data Project/Digital Display Media	165 000
277/644/0	Corporate Services – Human Resources	EFF	Office Furniture	1 600
219/632/51	ITS – Electricity Supply Services	EFF	Replacement of Air Conditioners	14 000
254/636/0	ITS – Electricity Supply Services	EFF	Microwave and Fridge	6 800
254/644/0	ITS – Electricity Supply Services	EFF	Office Furniture	5 400
255/632/48	ITS – Electricity Supply Services	EFF	Improvement of Ablution Facilities	210 100
255/632/52	ITS – Electricity Supply Services	EFF	Upgrade of Sirius Substation	7 127 300
255/636/02	ITS – Electricity Supply Services	EFF	Partial Discharge Tester	25 000
255/672/24	ITS – Electricity Supply Services	EFF	Ngwelezane Main Rebuild – Replacement of Switch station	17 200
255/672/27	ITS – Electricity Supply Services	EFF	132 and 11KV Network Protection Grading	1 500 000
255/672/28	ITS – Electricity Supply Services	EFF	2 x New 132KV Breakers	4 733 500
255/672/29	ITS – Electricity Supply Services	EFF	Network Master Plan	1 500 000
272/644/02	ITS – Electricity Supply Services	EFF	Furniture – Senior Engineer at Operations	22 000
281/644/05	ITS – Electricity Supply Services	EFF	Furniture – New Projects Manager	31 200
282/636/28	ITS – Electricity Supply Services	EFF	PC For Senior Engineer Operations and Maintenance	7 600
282/636/29	ITS – Electricity Supply Services	EFF	Laptop Manager : Electricity Supply Services	4 200
282/636/32	ITS – Electricity Supply Services	EFF	3 x Laptop Docking Stations and Screen	45 000
234/632/28	ITS – Engineering Support Services	EFF	Doubling Section of Main Outfall Sewer Arboretum Macerator	1 300 000
234/632/29	ITS – Engineering Support Services	EFF	Upgrade – Vulindlela Sewer Pipeline	1 300 000
238/644/0	ITS – Engineering Support Services	EFF	Office Furniture – Engineering Support Services	1 200
250/632/07	ITS – Engineering Support Services	EFF	Replacement Next Phase Main Building Fire	100 000

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
250/636/01	ITS – Engineering Support Services	EFF	Upgrading of Telemetry	422 800
250/636/02	ITS – Engineering Support Services	EFF	Upgrading of Telemetry (Reservoirs)	508 400
270/650/31	ITS – Engineering Support Services	EFF	Replacement – Roads	112 000
270/650/35	ITS – Engineering Support Services	EFF	Replacement – Roads	174 400
271/600/103	ITS – Engineering Support Services	EFF	Replacement Water and Sanitation	280 800
271/600/115	ITS – Engineering Support Services	EFF	Water Tankers	1 412 400
282/636/31	ITS – Engineering Support Services	EFF	1 x PC and Flat Screen For Mechanical Service	9 900
219/632/54	ITS – Transport, Roads and Stormwater	EFF	Resealing of Roof (Roads)	75 100
222/672/11	ITS – Transport, Roads and Stormwater	EFF	Street Rehabilitation – Tanner Road	1 774 600
222/672/55	ITS – Transport, Roads and Stormwater	EFF	eSikhaleni Mall Road Safety	700 000
222/672/78	ITS – Transport, Roads and Stormwater	EFF	Install Traffic Calming And Speed Humps	40 000
222/672/79	ITS – Transport, Roads and Stormwater	EFF	Upgrading and Widening Main Road through Empangeni	3 619 800
219/632/49	ITS – Water and Sanitation	EFF	Upgrade Laboratory	515 000
219/636/45	ITS – Water and Sanitation	EFF	Air Conditioner for eSikhaleni Superintendent	3 300
234/632/16	ITS – Water and Sanitation	EFF	Mzingazi Village Sewer Project (Counter Funding)	391 400
234/632/25	ITS – Water and Sanitation	EFF	Implementation of Upgrades to Empangeni Sewer Reticulation (Zidedele, Logans, Kildare and Gemini)	1 500 000
246/684/02	ITS – Water and Sanitation	EFF	Bulk Water Master	799 400
260/636/10	ITS – Water and Sanitation	EFF	JoJo Tanks	20 100
260/684/19	ITS – Water and Sanitation	EFF	Construction of 20ml Reservoir Empangeni (Hilltop)	5 000 000
260/684/20	ITS – Water and Sanitation	EFF	Richard Bay Water Improvements Phase 1	4 400 000
262/632/01	ITS – Water and Sanitation	EFF	Water Quality Compliance	855 000
270/636/39	ITS – Water and Sanitation	EFF	1 x 4x4 TLB (Water and Sanitation Mechanical)	24 400
271/600/106	ITS – Water and Sanitation	EFF	3 x Water Tanker 14000l (Water and Sanitation)	424 800
282/636/30	ITS – Water and Sanitation	EFF	2 x Workstations and 1 Notebook for Scientific Services	28 500
287/632/02	ITS – Water and Sanitation	EFF	Brackenhams Pumpstation Riser main	412 200
287/632/04	ITS – Water and Sanitation	EFF	MS 10 Double Pump Plus Additional Pump and Electrical Panel Set	69 100
Total Additional projects – External loan				48 475 200

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
255/872/12	ITS – Electrical Supply Services	GOV - NAT	Electrification of Mandlazini Area	6 750 000
255/872/13	ITS – Electrical Supply Services	GOV - NAT	Electrification of Mazingazi Area	3 000 000
255/872/14	ITS – Electrical Supply Services	GOV - NAT	Dumisani Makhaye Village Electrification	10 680 000
246/884/08	ITS – Engineering Support Services	GOV - NAT	Rural Household Infrastructure	1 609 000
260/884/21	ITS – Engineering Support Services	GOV - NAT	Water Infrastructure Projects	17 547 000
Total Additional projects – Government Grants and Subsidies - National				39 586 000
281/872/15	ITS – Electrical Supply Services	GOV – NAT (RO)	Energy Management	6 683 300
Total Additional projects – Government Grants and Subsidies – National – Roll Over				6 683 300
229/832/01	City Development	GOV- PROV	Construction of New Informal Trading Stalls	450 000
Total Additional projects – Government Grants and Subsidies – Provincial				450 000
227/832/05	City Development	GOV – PROV (RO)	Tourism Development	3 371 100
228/832/0	City Development	GOV – PROV (RO)	eSikhaleni Refurbish Hostels	26 244 000
229/832/05	City Development	GOV – PROV (RO)	Construction of New Informal Trading Stalls	3 972 900
245/816/02	City Development	GOV – PROV (RO)	CBD South Extension South of Guldengracht	2 939 500
271/800/01	City Development	GOV – PROV (RO)	Double CAB LDV x 2	819 200
271/800/02	City Development	GOV – PROV (RO)	4 Door Sedan x 2	575 200
Government Grants and Subsidies – Provincial – Roll Over				37 921 900

Vote number	Responsible Department	Source of Funding	Project Description	2013/2014 Second Draft Adjustment Budget (movement)
				R
234/832/06	ITS – Engineering Support Services	MIG	Rural/Semi – Urban Areas	38 697 400
246/884/06	ITS – Engineering Support Services	MIG	Rural/Semi – Urban Areas	45 000 000
Government Grants and Subsidies – MIG				83 697 400
246/884/09	ITS – Engineering Support Services	MIG (RO)	Rural/Semi – Urban Areas	64 763 700
Government Grants and Subsidies – MIG – Roll Over				64 763 700
TOTAL				312 268 400

6.3 Operating Revenue by Function

Revenue by Function	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Over collection/ (under collection)	Actual Revenue as at 31/01/2014
	R'000	R'000	R'000	R'000
Executive and Council	105	565	460	562
Budget and Treasury Office	289 313	302 370	13 057	172 672
Corporate Services	9 909	8 645	(1 265)	4 276
Community and Social Services	8 858	9 285	427	7 610
Sport and Recreation	2 844	2 474	(370)	3 670
Public Safety	11 600	10 644	(956)	5 771
Housing	1 020	6 886	5 866	514
Health	4 868	11 753	6 886	5 162
Planning and Development	2 327	1 563	(764)	880
Road Transport	9 974	10 535	561	5 959
Electricity	1 148 613	1 296 082	147 469	832 902
Water	314 408	323 919	9 511	180 982
Waste Water Management	106 949	105 840	(1 110)	59 188
Waste Management	86 518	87 843	1 325	51 329
Other	450	450	0	470
Total	1 997 756	2 178 852	181 096	1 331 947

6.4 Operating Revenue by Source

Revenue by source	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Over collection/ (under collection)	Actual Revenue as at 31/01/2014
	R'000	R'000	R'000	R'000
Rates	275 000	280 000	5 000	162 344
Service Charges - Electricity Revenue	1 141 500	1 288 622	147 122	828 701
Service Charges - Water Revenue	166 853	174 681	7 828	105 154
Service Charges - Sanitation Revenue	74 241	72 841	(1 400)	34 114
Service Charges - Refuse Revenue	57 050	58 390	1 340	42 415
Service Charges - Other Revenue	12 472	12 934	462	8 333
Operating Grants and Subsidies - Equitable Share	190 384	190 384	0	111 431
Operating Grants and Subsidies - Other Grants	29 251	46 610	17 359	11 609
Rental of Facilities and Equipment	10 878	9 086	(1 792)	7 782
Interest Received - External Investments	4 152	10 100	5 948	4 591
Interest Received - Outstanding debtors	1 597	1 673	76	819
Fines	10 102	9 302	(800)	5 220
Licenses and permits	2 747	1 846	(901)	973
Agency services	5 800	6 200	400	3 718
Other Revenue	15 729	16 183	454	4 743
TOTAL	1 997 756	2 178 852	181 096	1 331 947

Below are explanations for major increase/decreases in revenue:

- Property Rates is expected to **increase** by **R5 million** from the Adopted MTREF for 2013/2014 due to the new Valuation Roll implemented, 1 July 2013, together with the processing of the Objections as well as a Supplementary Valuation received, effective 1 December 2013.
- Revenue from sale of electricity is expected to **increase** by **R147 million** from the Adopted 2013/2014 to the Second Draft Adjustment Budget 2013/2014.

During the budgeting stage, Council was uncertain as to the frequency of Tata Steel's operations. Therefore, Council prudently did not budget for a 12 month period for this revenue. However, Tata Steel has continued operations without any shutdowns thus far. This has resulted in increased revenue for electricity as compared to the pro-rata budget.

- Service Charges Water revenue is expected to **increase** by **R7,8 million**. This is mainly due to businesses operating more consistently.
- Service Charges Sanitation revenue is expected to **decrease** by **R1,4 million**. This is mainly due to the increase of owners of properties with a Value R400 000 and below in the new Valuation Roll, that qualify for a rebate for sanitation charges in terms of Councils policy for assistance to the poor.
- Rental of facilities and equipment revenue **decreased** by **R1,7 million**. The Adopted Budget 2013/2014 was prepared conservatively given that a number of very large investment properties were earmarked for sale instead of long-term lease. These sales did not materialise as yet.
- Operating Grants and Subsidies increased by **R17,3 million**. The table below provides a detail of this increased amount.

Operating Grant	Adopted Budget 2013/2014	2013/2014 Second Draft adjustment Budget	Increase/ (Decrease)
	R	R	R
Equitable Share	190 384 000	190 384 000	0
Provincialisation of Libraries	5 846 000	5 846 000	0
Community Library Services Grant	720 000	720 000	0
Environmental Health - uThungulu District	4 856 400	4 856 400	0
Primary Health	0	6 877 600	6 877 600
Expanded Public Works Programme Integrated Grant	1 000 000	1 000 000	0
Housing Operating Account	0	5 843 400	5 843 400
Housing Operating Account (Roll-over)	0	122 300	122 300
Financial Management Grant	1 550 000	1 550 000	0
Financial Management Grant (Roll-over)	0	1 115 700	1 115 700
Municipal Systems Improvement Grant	890 000	890 000	0
Infrastructure Skills Development Grant	4 000 000	7 000 000	3 000 000
Museum Subsidy	143 000	143 000	0
Water Services Operating Subsidy	7 210 000	7 210 000	0
Project Management Unit	3 035 600	3 035 600	0
SALGA	0	400 000	400 000
Total Operating Grants	219 635 000	236 994 000	17 359 000

The capital grants are not included in the revenue above. However, the increase in the capital grants is reflected in the table below.

Capital grant	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Increase/ (Decrease)
	R	R	R
Municipal Infrastructure Grant (National)	83 697 400	83 697 400	0
Municipal Infrastructure Grant (National) (Roll-over)	0	64 763 700	64 763 700
Expansion and upgrade of beaches - Alkantstrand (COGTA)	7 000 000	6 550 000	(450 000)
Expansion and upgrade of beaches - Alkantstrand (COGTA) (Roll-over)	0	3 371 100	3 371 100
New and upgrading of Informal Traders (COGTA)	3 000 000	3 450 000	450 000
New and upgrading of Informal Traders (COGTA) (Roll-over)	0	3 972 900	3 972 900
Urban development framework Plan (Roll-over)	0	2 939 500	2 939 500
Electricity demand site (Roll-over)	0	6 683 300	6 683 300
Infrastructure water projects	0	17 547 000	17 547 000
Rural Households Infrastructure	0	1 609 000	1 609 000
Electrification Mandlazini Area (Not gazetted)	0	6 750 000	6 750 000
Electrification Mzingazi Area (Not gazetted)	0	3 000 000	3 000 000
Electrification Dumisani Makhaye Village (Not gazetted)	0	10 680 000	10 680 000
Housing (Roll-over)	0	27 638 400	27 638 400
Total Capital Grants	93 697 400	242 652 300	148 954 900

6.5 Operating Expenditure by Function

Expenditure by Function	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Decrease / (Increase) Expenditure	Actual Revenue as at 31/01/2014
	R'000	R'000	R'000	R'000
Executive and Council	1 233	1 076	158	201
Budget and Treasury Office	4 501	7 056	(2 556)	1 204
Corporate Services	69 053	62 854	6 199	40 409
Community and Social Services	47 693	47 599	94	26 753
Sport and Recreation	103 988	102 965	1 022	58 713
Public Safety	101 830	102 733	(903)	55 070

Expenditure by Function	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Decrease / (Increase) Expenditure	Actual Revenue as at 31/01/2014
	R'000	R'000	R'000	R'000
Housing	6 514	10 281	(3 768)	5 020
Health	28 155	30 668	(2 513)	16 134
Planning and Development	36 649	32 781	3 869	18 269
Road Transport	139 745	154 661	(14 915)	74 321
Environmental Protection	11 134	12 542	(1 409)	5 961
Electricity	934 741	1 064 134	(129 394)	625 854
Water	303 542	322 039	(18 497)	161 953
Waste Water Management	116 205	128 406	(12 201)	66 908
Waste Management	84 091	93 470	(9 379)	51 084
Other	342	344	(2)	51
Total	1 989 414	2 173 609	(184 195)	1 207 905

6.6 Operating Expenditure by Type

Expenditure per category	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	Decrease / (Increase) Expenditure	Actual Revenue as at 31/01/2014
	R'000	R'000	R'000	R'000
Employee related costs	508 764	499 490	9 274	277 453
Remuneration of Councillors	21 529	21 529	0	10 031
Debt Impairment	2 075	2 075	0	1 210
Depreciation and Offsetting of depreciation	145 218	145 218	0	84 710
Finance Charges	75 538	73 038	2 500	44 064
Bulk Purchases – Electricity	830 923	959 186	(128 262)	567 656
Bulk Purchases - Water	97 958	98 782	(824)	43 975
Other Materials	24 033	26 943	(2 909)	12 654
Contracted Services	129 661	147 463	17 802	76 308
Transfers and grants	9 904	10 216	(313)	3 879
Other Expenditure	143 811	189 668	(45 857)	85 964
TOTAL	1 989 414	2 173 609	(184 195)	1 207 905

Below are explanations for major increase/decreases in expenditure:

- ❖ Included in employee related costs which has decreased by R9,2 million is overtime expenditure which has **increased** by **R2,4 million**. The overtime budget for a few cost centres have been increased in order to provide for anticipated over-expenditure on overtime.
 - Additional budget provision for Water and Sanitation Services (074) of R1,9 million
 - Additional budget provision for Mechanical Services (067) of R0,4 million
 - Additional budget provision for Electrical Distribution (072) of R0,6 million
 - Additional budget provision for Street Cleaning (032) of R0,5 million
- ❖ Provision for Bulk Electricity Purchases has **increased** by **R128 million**.

Increase in electricity revenue consumption has a direct increase in electricity purchases. The increase in Bulk Electricity Purchases is primarily caused by industry whose forecasted production cycles are not reliable. Secondly, the ad-hoc buy-back agreements with Eskom are another factor that cannot be predicted at all.
- ❖ Contracted Services has **increased** by **R17 801 900**.
 - The Bid Adjudication Committee resolved on 3 December 2013 (Council Resolution 9062 dated 28 January 2014) that Tender 8/2/1/837 - Management, Operation and Maintenance of Water and wastewater treatment facilities be awarded and that the shortfall of R9,3 million be funded on the 2013/2014 Adjustments Budget.
 - Meter reading expenditure increased by R739 500, this is primarily due to the increase in the number of water meters in the traditional areas that now require to be read.
 - Additional budget of R1,5 million for Security expenditure.
 - Contracted services included under Repairs and Maintenance increased by R8,3 million.
- ❖ Advertisements have **increased** by **R874 500**. This is mainly due to under budgeting by departments when the original budget was prepared.
- ❖ Community Facilitation has **increased** by **R489 400** and includes additional provision made for the State of the City address of R210 000 and additional provisions for the Budget Participation meetings and other ad-hoc participation programmes.

Following a Budget Steering Committee meeting held on 7 February 2014, clarity was requested on the amounts budgeted for consultancy fees and Hire of Plant and vehicles.

The following table sets out the amounts budgeted for consultancy fees:

Consultancy fees (line Item 040)	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	(Decreases)/ Increases
	R'000	R'000	R'000
Fire Brigade – Fire protector	0	24	24
Health – Formulation of Air Quality Management Bylaws, Strategy and Policies	150	290	140
Clinics – Occupational Health Survey	0	40	40
Office of the Municipal Manager – Photography Annual Update	35	35	0
City Development – DEDP and ad-hoc projects, property administration – valuation report, development administration and surveys	350	275	(75)
Management Services – Consultant to improve discipline and productivity amongst staff	200	180	(20)
Human Resources – Work study, Employee self-service roll-out and Board of Trustees	50	35	(15)
Council's General expenditure – Audit Committee members fees (S166), Audit Performance Committee Members Fees and Performance Evaluation Fees	139	139	0
Sewerage purification works - Consultants for upgrade of Empangeni and Ngwelezane waste treatment works - to assist with the preparation of tender documents and contract monitoring	277	1 300	1 023
Engineering Services – GIS support	0	126	126
Financial Services – Local Government Levy – Electricity	300	2 040	1 740
Township Establishment – Cadastral surveys	100	300	200
Electricity – Eskom infill Areas	0	100	100
Electrical Marketing – Audit on-line metering	150	130	(20)
Airport	0	6	6
Water Purification Works – Specialist GIS	100	70	(30)
Scientific Services – Drinking/Waste Water data loading support	0	30	30
Training and SHE - Accreditation for training centre (training); Update legal compliance register (SHE) and Rehab and external referrals (EAP)	50	46	(4)
TOTAL	2 025	5 291	3 266

❖ Rental of equipment and vehicles has **increased** by **R19 222 700**.

The following table sets out the amounts budgeted for Hire of Plant and vehicles:

Hire of Plant and vehicles (line Item 138)	Adopted Budget 2013/2014	2013/2014 Second Draft Adjustment Budget	(Decreases)/ Increases
	R'000	R'000	R'000
Refuse Removal – Hire of refuse trucks whilst procurement processes are followed to procure new trucks	5	2 308	2 303
Water Rural areas - Hire of water trucks	243	6 100	5 857
Rural Roads – Hire of road equipment	100	9 811	9 711
IT Equipment – PABX rental	0	1 056	1 056
Various departments - Other ad-hoc rentals (e.g. cylinder rentals for clinics; oxygen cylinder rentals for electrical and pump stations etc.	531	827	296
TOTAL	879	20 102	19 223

- ❖ **Legal fees has increased by R5 049 100.** Ongoing litigation has resulted in additional budget provision for legal fees.
- ❖ **Bank Charges and Commissions (Third party vending) have increased by R1 555 000 and R3 500 000 respectively.** During the budget process it was extremely difficult to determine which consumers would utilise the debit/credit card facility that Council introduced therefore a conservative approach was taken.
- ❖ **Printing and stationery has increased by R2 501 000** as a result of the implementation of Tender 8/2/1/739 - Appointment of a service provider for the implementation of Managed Print Solution.

7. ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Refer to **Annexure T - V** (Table SB 7 - SB 9).

8. ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Refer to **Annexure W** (Table SB 10).

9. ADJUSTMENTS TO COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS

Refer to **Annexure X** (Table SB 11).

10. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP has been broken down into five components. These are:

- Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AJ**).

- Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AK**).
- Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexures AL - AQ**).
- Component 4: Ward information for expenditure and service delivery (**Annexures AR – AS**).
- Component 5: Detailed capital works plan broken down into wards over three years (**Annexure AT**).

11. ADJUSTMENTS TO CAPITAL EXPENDITURE

Detail of the revised Adjustments 2013/2014 Capital Budget (**DMS 930619**) is attached on **Annexure AU**.

12. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **Annexure AV (DMS 932020)**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This is dealt with in detail throughout the report.

LEGAL IMPLICATIONS

This is dealt throughout the report with references to various Acts and Regulations.

Recommendations are supported.

A practice that is a risk to proper planning and consequently service delivery is the excessive use of the Virement Policy. Just within the last seven months alone, a total amount of 224 transfers amounting to a value of R62 846 270 have taken place.

DISCUSSION BY THE SPECIAL FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 13 FEBRUARY 2014

The Committee noted the 2013/2014 Adjustment Budget with appreciation and indicated that some questions as well as issues of concern were answered as the Chief Financial Officer was presenting. Concern was raised regarding the User Departments that have not spent/met their target in terms of spending the allocated budget but requesting the increase.

It was indicated that in such circumstances, a requisition for an adjustment budget must be accompanied by a comprehensive explanation. The hiring of equipment such as Water Tankers was highlighted as somewhat problematic at times. It was suggested that other measures be investigated such as purchasing equipment and undertaking such initiatives in-house. Amongst other reasons mentioned is the fact that the control as well as monitoring of these services is rather difficult as opposed to being carried out internally where controlling devices such as tracking systems (e.g. Geotab) are available on Council's fleet.

The Chief Financial Officer amended the Vote number as reflected in 4 below. The wording read as *20 Year Democracy* was also amended to read as reflected in 4 below.

RECOMMENDED THAT:

1. the 2013/2014 Adjustment Medium Term Revenue and Expenditure Framework (MTREF) be approved as set out in Budget **Tables B1 – B10 (Annexure A – M) (DMS 927003)**;
2. the report on the 2013/2014 Adjustments Budget be submitted to both the National Treasury and Provincial Treasury;
3. it be noted that any adjustments made to the 2013/2014 Operating Budget do not result in any changes to the municipal taxes and tariffs;
4. an amount of R190 000 be funded from the surplus for Vote 030/039/11 – Outreach - Public Participation;
5. recommendation 4 above results in the following revised adjusted budgets:

	Adopted 2013/2014 Budget	2013/2014 Second Draft Adjustment Budget
	R '000	R '000
Revenue	1 997 756	2 178 852
Expenditure	1 989 414	2 173 799
(Deficit)/Surplus	8 342	5 053

6. an amount of R400 000 be transferred from Vote 219/532/97 – Renovations Civic Centre to Vote 216/532/36 – Refurbishment Veldenvlei Hall;
7. an amount of R700 000 be transferred from Vote 222/672/55 – eSikhaleni Mall Road Safety to Vote 222/672/76 – Comprehensive Integrated Transport Plan;
8. any savings arising post the Adjustment Budget approval be utilised only to contribute to the Capital replacement Reserve for future years capital projects; and
9. the revised capital projects as per Component 5 of the SDBIP (**Annexure AT**) be approved.