

## **STATEMENT BY THE EXECUTIVE MAYOR TO THE CACADU DISTRICT MUNICIPALITY COUNCIL MEETING ON 30 JANUARY 2013**

Honourable Speaker, Chief Whip, Mayoral Committee Members, Councillors, Municipal Manager, Directors, Officials and the Media, it is my pleasure to welcome you to our first Council meeting in 2013.

### **ANNUAL REPORT 2011/2012**

The annual report of Cacadu District Municipality for the financial year 2011/2012, is being tabled today prior to being circulated for public viewing and comment. The report is prepared in the format required by National Treasury and the Provincial Department of Local Government and Traditional Affairs. We have tried to comply in every respect with these requirements. This format is important for comparative purposes and benchmarking across municipalities.

A meeting of the MPAC must be convened to carry out a detailed analysis and review of these reports, and to draft an oversight report for discussion at the next Council meeting on 27 March 2013

### **FINANCIAL STATEMENTS**

#### ***Audit Opinion and Matters of Emphasis***

It is with great pride that I can announce that the Cacadu District Municipality received its sixth unqualified audit opinion with matters of emphasis. The matters of emphasis relate to the restatement of corresponding figures for 2011 as a result of the errors and material impairments.

On the recommendation of the Audit Committee these errors were corrected by reinstating the equitable share income amounting to R21,9 million and raising NT as a debtor in the books of account. NT informed the AG's office that the amount was not due to CDM whereafter the AG advised that CDM impair the full amount of the debt.

This matter was discussed with the Honourable MEC for Planning and Finance on 18 January 2013. The MEC undertook to discuss the matter with the Minister of Finance and was of the opinion that the Municipality had a valid claim against NT.

Concurrently, tender documents have been prepared calling on service providers with the necessary expertise to provide the CDM with a legal opinion on the matter and to assist with the collection of the outstanding amount.

It is therefore evident that except for the VAT errors which have been corrected in the Annual Financial Statements there are no other material issues identified by the AG's office. The management team is already dealing with the exceptions raised during the 2011/2012 Audit and is confident about a clean audit outcome in the 2012/2013 financial year.

### **Statement of Financial Position**

The Statement of Financial Position at 30 June 2012 reflects a strong financial position which is the outcome of prudent financial management. The issues that are currently receiving priority are:

- Outstanding government debt;

	<u>R million</u>
NT	21,9
ECDOH (PHC)	<u>1,4</u>
<b>TOTAL</b>	<b><u>23,3</u></b>

- Conditional Grant Fund Spending; and
- Financing of Project Budgets.
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### **Statement of Financial Performance**

The Statement of Financial Performance as at 30 June 2012 reflects a significant reduction in revenue compared to the previous financial years, which is due to reduced conditional grant funding available to the Municipality now that the MIG Flood Grants have been spent.

The Municipality has, however continued to prioritize infrastructure projects as well as the economic development and tourism in its allocation of resources. This have been done by using own sources of discretionary revenue mainly transfer accumulated surplus amounting to R35,1 million and interest income amounting to R17,2 million.

### **Irregular Expenditure and Compliance with Legislation**

The irregular expenditure reduced from R27,8 million to R9,6 million when compared to the previous year. These amounts relate to the period August 2011 to January 2012 when the institution was implementing new SCM controls to eradicate irregular expenditure. The number of irregular expenditure incidents reduced from 348 in 2010/2011 to 109 in the 2011/2012 financial year for purchases between R2000 and R200 000.

During the financial year cash flows were actively managed and the Municipality was able to meet all its financial commitments.

### **ADJUSTMENT BUDGET AND HALF-YEARLY PERFORMANCE**

Mr Speaker Council adopted its 2012/2013 Budget at a meeting held on 23 May, 2012. Since then, Council has made a number of adjustments to the budget in terms of the MFMA. Furthermore, in terms of the MFMA the Mayor may table an adjustment budget as a result of a S72 midyear report. I am tabling such adjustment budget for consideration by Council today.

In terms of the Municipal Finance Management Act (MFMA), No.56 of 2003 section S28 a municipality may revise an approved annual budget through an adjustment budget. It

should however be noted that an adjustment budget can only be made in certain circumstances.

### ***Section 72 Reporting (Mid Year Report)***

Speaker you are aware that the Mayoral Committee has invested many hours to interrogate the mid-year report with the purpose of identifying problem areas to ensure that corrective action is taken.

#### Underspending

It is evident that the most critical area that needs to be addressed is the underspending of the departmental project budgets.

The mid-year expenditure reports reflect underspending amounting to R43,1 million on the approved budget of R89,3 million which represents underspending of 48%. The underspending is due to slow expenditure on projects which has also slowed down the recognition of revenue in respect of these projects. The project budget report reports reflect that only 16% of the budget had been spent by 31 December 2012. This can be attributed to many reasons, a number of which are outside the control of the CDM, for example:

- Delays in finalising outstanding land issues (Riebeeck East Library and Graaf-Reinet taxi rank)
- Awaiting approval of EIAs (Nieu Bethesda)
- Lack of co-operation by LMs (GRAP project)
- Community problems (Paterson)

However, it is also evident that no proper planning was being done!

In an effort to develop plans to address the under expenditure on projects a special Mayoral Committee meeting was arranged for 6 December 2012 to develop action plans to address problem areas.

This underspending of project budgets is now high on the agenda and the Mayoral Committee will ensure that departments are taking appropriate action to speed up on the delivery of infrastructure and other projects.

It is evident from the December 2012 budget report that revenue targets may not be achieved due to underspending on projects financed from the accumulated surplus account.

It was however decided not to reduce any project budgets as this would have a major impact on the SDBIP as well as the performance plans of Senior Management. At the Mayoral Committee meeting it was stressed that departments need to improve their departmental planning as well as project management activities.

The main reasons for the adjustment to the operating and capital budgets are more fully detailed in Annexures A, B and C in the Council agenda on pages 137 to 139 which is summarised below:

### *OPERATING BUDGET*

#### Projects

The additional amount required for the projects budget is R4 540 000 in respect of the following projects:

	<u>R</u>
NT competency training	250 000
Review of ITP	150 000
Libraries	2 000 000
Feasibility Study	240 000
Restoration of Fire Hydrants	1 000 000
District Development Agency	<u>900 000</u>
<b>TOTAL</b>	<b><u>4 540 000</u></b>

The main reasons for these adjustments are as follows:

An additional amount of R250 000 was made available from MSIG to fund NT Competency training.

After enquiries and requests for quotations, it was found that the budget for reviewal of the ITP was insufficient to fund a project of this nature, and thus an additional amount is required to be able to complete this project.

The Connect with Cacadu expenditure forms part of the Libraries project and it was originally thought that this project would be co funded/ taken over by the relevant municipalities where these libraries are situated. However the project was never handed over and CDM is still responsible to cover these costs.

The Project management unit considered their budget for business plans and decided that the budget would be better utilized within the planning and feasibility study project. These funds were thus transferred to the planning and feasibility study project.

When the project was initialized to restore fire hydrants in the region, a specific number of fire hydrants were identified. It however came to light that there are more hydrants in need of restoration than originally identified. Additional budget is thus needed to complete this project.

The District Development Agency has been registered and establishment costs are being incurred. It has now been considered that due to timeframes given and

processes in need of fast-tracking, additional budget is needed to get the agency in a position to be able to start with operations on 1 July 2013.

The additional amount which is required for other expenditure amounts to R421 306.

#### *CAPITAL EXPENDITURE*

The additional amount required for capital expenditure amounts to R5 206 500 which is to be financed from the accumulated surplus account. The funds are required to finance the following items:

	<b><u>R</u></b>
- Relocation – Land Purchase	5 000 000
- 2 Vehicles (Budget of R350 000 is inadequate	200 000
- Furniture and Equipment	<u>6 500</u>
<b>TOTAL</b>	<b><u>5 206 500</u></b>

#### *UNFORESEEN AND UNAVOIDABLE EXPENDITURE*

There was no unforeseen expenditure approved by the Mayor and incorporated into this adjustment budget since the original approved budget.

#### *CHANGES TO ALLOCATIONS AND GRANT ADJUSTMENTS*

Changes to allocations and grant adjustments are reflected in the budget supporting documentation forms SB7 and SB8. The only change was for the additional MSIG funding received that will be used for NT minimum competency training.

#### **PLACEMENT OF DISABLED PERSONS**

Mr Speaker, we have entered into a partnership with the Eastern Cape Disability Economic Empowerment Trust through the Services Unit, in the skills acquisition process of persons with disabilities. In terms of this partnership, arrangements are being made to enable persons with disabilities to acquire work experience, by placing them as interns in local municipalities.

We are waiting for the Services SETA to give us an exact date for this programme to commence. CDM is playing a coordination role to ensure that disabled people in the district get equal opportunities to take part in this programme. The Candidates will receive a stipend amounting to R3500.00 directly from Services SETA.

Based on the information obtained from the Services SETA, the following placements will be made in our nine local municipalities:

Ndlambe Municipality	13 interns
Blue Crane Route Municipality	3 interns
Sundays River Valley Municipality	2 interns
Camdeboo Municipality	4 interns
Koukamma Municipality	2 interns
Kouga Municipality	3 interns
Makana Municipality	2 interns
Ikhwezi Municipality	4 interns
Baviaans Municipality	2 interns

### **CACADU MATRIC RESULTS**

It is disappointing to note that our matrics did not do very well last year. The performance of Grade 12 learners in most schools has regressed. This is a societal issue - all stakeholders need to be involved in our young peoples' education. However, we still managed again as a District to have four learners placed amongst the top students in the Province - two from Camdeboo and two from Makana. Council will be informed in due course of the names of the four learners.

### **FLOOD ALLOCATION**

Councillors will recall that at the last meeting it was resolved that the action of the Mayoral Committee in declaring a local State of Disaster in the areas of Ndlambe, Kouga, Sunday's River Valley, Kou-Kamma and Makana Municipalities be ratified and that the Provincial Exco be immediately advised and requested to formally declare a state of disaster for these areas.

A State of Disaster has been declared by the Province, and National Disaster Management (NDM) has made emergency funding in a total amount of R36 million available to five local municipalities, as follows:

- R30 m to Ndlambe Municipality
- R3 m to Kouga Municipality
- R2 m to Makana Municipality
- R282 000 to Sundays River Valley Municipality
- R50 000 to Koukamma Municipality

This amount is only for immediate emergency relief, and must be spent within three months of being transferred to the local municipalities. NDM will send a team of assessors to assess the report that we commissioned on the cost of repair of the flood damage in Cacadu, to enable them to decide how much to allocate to the District for rehabilitation purposes.

**THANK YOU**

**K E KEKANA  
EXECUTIVE MAYOR**

