

KOUKAMMA LOCAL MUNICIPALITY

ADJUSTMENTS
BUDGET 2013/2014

2013/14



5 KEET STREET
KAREEDOUW

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PART 1-ADJUSTMENTS BUDGET

Mayor's Report

Section 28 of the Municipal Finance Management Act, No.56 of 2003, read with Regulation 23(1) of the Municipal Budgeting and Reporting Regulations, 17 of 2009 state that the Mayor must table an adjustments budget in the Municipal Council at any time after the mid-year budget and performance assessment that has been tabled in council but no later than the 28th of February of the current year.

The Mid-Year Budget and Performance Assessment for the six months ending December 2013 were tabled in Council on the 24 January 2014. Recommendations were made in the report that an adjustments budget be drafted as a result of some of the variances detailed in the assessment. The adjustments budget is detailed in this report and takes into consideration all the matters raised in the Mid-Year Budget Assessment Report.

The overall original deficit, including capital transfers, will decrease in the adjustments budget to a deficit of R3 946 million. National Treasury has issued its adjustments to the Division of Revenue Act, 2013 on 30 December 2013 which would take into account the adjustments to allocations for 2013/14 financial year. National Treasury and the Provincial Department of Human Settlement have allocated additional funds to be transferred to the municipality in respect the Municipal Disaster Recovery Grant and Housing Refurbishment. National Treasury has in terms of Section 21(2) of the Division of Revenue Act, 2013 approved the rollover of R5million unspent 2013 MIG allocation to the current financial year. These allocations would have an effect on the budget and service delivery and would necessitate an adjustment to our approved budget. The executive summary and the supporting tables detail all the adjustments.

Based on the findings in the Mid-Year Budget Assessment, adjustments need to be made also in the adjustments budget to provide for, amongst other things, the rebates granted to farmers and indigent household and the Provision for Bad Debts. Furthermore considering the Revenue under-collection on Traffic Fines and Agency Services it is recommended that the budget be adjusted to address the variances. The adjusted allocations from National Treasury and Provincial Department of Human Settlements have to be included in the adjustments budget.

**MAYOR
COUNCILLOR
S. M VUSO**

Resolutions

It is recommended:

1. That the Adjustments Budget for the financial year 2013/14 as required by Section 28(2) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) read with Regulation 23(1)(3) of the Municipal Budget and Reporting Regulations, 17 of 2009 be APPROVED .
2. That the Roll over amount of the unspent R5million (MIG) 2012/13 allocations be dealt with in terms of Regulation 23(3) of the Municipal Budget and Reporting Regulations(MBRR) read with Section 28(2)(b) of the Municipal Finance Management Act, 2003(Act 56 of 2003).

Executive Summary

A Mid-Year Budget Performance Report was tabled in Council on the 24 of January 2014. This report highlighted the financial and non-financial performance of the Municipality for the first half of the financial year. In this report certain recommendations had been made based on the financial performance of the Municipality. These recommendations and additional trends that had been analyzed have been taken into account when drafting this adjustments budget. In addition to this, the economic climate, both internal and external, was considered.

BACKGROUND

An adjustments budget is usually tabled before Council at the prescribed time, namely, 60 days after the adjustments to the Division of Revenue Act (DORA) have been gazetted. The Adjusted DORA was gazetted on 30 December 2013 which effectively means that the adjustments budget should be tabled before the end of February 2014.

The Mid-Year Budget Performance Report highlighted variances in terms of year to date income and expenditures versus year to date budgets. These variances were considered and adjustments made, where necessary, in this adjustments budget.

ADJUSTMENTS BUDGET 2013/2014

When drafting the adjustments budget, consideration was always given to Section 18 of the Municipal Finance Management Act which states that:

“An annual budget may only be funded from-

- a) Realistically anticipated revenues to be collected;
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) Borrowed funds, but only for the capital budget referred to in section 17 (2) (2)
- Revenue projections in the budget must be realistic, taking into account-
- d) Projected revenue for the current year based on collection levels to date; and b) actual revenue collected in previous financial years.”

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought. The supporting document on budget funding highlights the various funding sources identified to ensure that cash reserves are always available to fund expenditure. The eventual outcome was to ensure that the adjustments budget was credible.

A credible budget is described as one that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality
- Is achievable in terms of agreed service delivery and performance targets
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

SUMMARY OF ADJUSTMENTS

OPERATING BUDGET (Extract from the Mid-year Review)

The largest source of income of the municipality is Rates which amounts to R13 298 million which is approximately 52% of the total income earned for the municipality. The property rates are based on accrual accounting principle which refers to billed/levied income and not actual receipts and therefore cognizance must be taken of the principle of accrual accounting. The figure includes total assessment rates billed annually, if calculated for six months to give a true reflection of the income for this period which is R6 649 million less than the year to date projection, explained in B4 (Financial performance Revenue and Expenditure). As explained in the Mid-Year Budget Assessment Report the current operating expenditure is R8 912 million above year to date budget projections for December 2013. The variance is attributed to rebates granted to farmers and indigent households for assessment for the financial year in July which amounted to R 7 689 million as well as payments made for the rectification of RDP houses which was not budgeted for, amounting to R16.8 million. The net result is an overall under-spending for this period to the value of R11.7 million representing 21% under-spending of the budget. The employee related costs are under spent by 12%. The under-spending can be attributed to vacancies of newly budgeted posts and resignations of former employees. . As a result of this, adjustments had to be made.

ADJUSTMENTS BUDGET 2013/2014

The total operating expenditure YTD amounts to R 53 945 million and is inclusive of annual rates rebate granted to farmers and indigent households amounting to R 7 689 million, this has been recalculated for the half of the financial year ending December 2013, and once again reflected as such under the adjusted expenditure. Bulk purchases are **under spent** by 33 %. Contracted services are under spent by 20%. Under contracted services the municipality budgeted for the installation of trackers in all municipal vehicles. The installations have been done but payment has not been effected by the first half of the financial year. This has resulted in this variance. The municipality accounted for Depreciation at end of the financial year during the preparation of the Annual Financial Statements hence the material variance of 100%.

There is a major under-spending on capital projects (MIG) for the year to date, however the planning of projects to be implemented has been revised to include the implementation and registration of new projects to accelerate the implementation of projects identified in the IDP.

National and Provincial Department of Human Settlements have allocated additional funds to be transferred to the municipality in respect of the Municipal Disaster Recovery Grant and Housing Refurbishment. National Treasury has in terms of Section 21(2) of the Division of Revenue Act, 2013 also approved the rollover of R5 million unspent 2012/13 MIG allocation to the current financial year. An adjustment to the 2013/14 is inevitable to cater for these additional allocations.

Below is a summary of the total income included in the adjustments budget:

<i>Description</i>	<i>Original Budget</i>	<i>Adjustments</i>
	<i>Amount(R'000)</i>	<i>Budget</i>
Property Rates	14 395	14 395
Rates penalties	500	0
Electricity	2 038	1 784
Refuse	3 452	3 452
Sewerage	7 580	7 765
Rent of facilities	108	137
Interest earned	705	653
Fines	4 000	600
Licenses and Permits	4 000	1 980
Transfers/ Grants	58 653	98 879

ADJUSTMENTS BUDGET 2013/2014

Details of the differences are highlighted in the supporting document headed 'Adjustments to Budget Funding'.

Operating expenditure is summarized as follows:

<i>Description</i>	<i>Original Budget Amount(R'000)</i>	<i>Adjustments Budget Amount(R'000)</i>
Employee related costs	36 232	32 663
Remuneration of councilors	2 769	2 769
Debt Impairment	2 580	10 313
Depreciation & asset	3 964	3 946
Transfers and Grants	15 683	46 665
Finance charges	150	50
Bulk purchases	4 256	2 847
Contracted services	3 539	2 952
Other expenditure	20 892	18 721

CAPITALEXPENDITURE

Total capital expenditure was originally estimated to be **R21 887** million. This was originally funded as follows:

MIG	R 16 020 800
National Public Works	R 5 000 000
Own Revenue	R 865 718
TOTAL	R 21 886 518

There have been adjustments made to the allocations on grants to the Municipality that have resulted in a change to the above and resultant capital expenditure of **R31 459 237** million. Grant funding of this expenditure is detailed in the 'Adjustments to Grant Allocations', in the supporting documents of this report. Below is a summary of the funding sources to the adjusted capital expenditure:

Funding Source	Original Budget R'000	Adjustments Budget R,000
MIG	16 020	16 020
DISASTER RECOVERY	0	8 439
National Public Works	5 000	0
ROLL OVER(MIG)	0	5 000
Cacadu Grant(Vehicles)	0	550

ADJUSTMENTS BUDGET 2013/2014

Funding was received from National Treasury in terms of retaining the roll over amount of R 5 million and R 8 439 million to be received from NT for disaster recovery. National Treasury has issued its adjustments to the Division of Revenue, Act 2013 (Act 2 of 2013) by Division of Revenue Amendment Act (Act 29 of 2013) on 30 December 2013.

Summary of the Adjustment Budget 2013/2014

Operating Revenue	R 148 440 219
Operating Expenditure	R 120 927 065
Capital Expenditure	R 31 459 237
Budget Deficit	R 3 946 083

The budget deficit is equivalent to depreciation which is a non cash item included under operating expenditure.

CONCLUSION

The adjustments that have been made in the adjustments budget is necessary due to the changes that have taken place in terms of DORA, the results of the mid-year budget and performance review and other items deemed necessary to ensure service delivery.

ADJUSTMENTS BUDGET 2013/2014

Adjustments Budget tables

EC109 Kou-Kamma - Table B1 Adjustments Budget Summary - 25/02/2014

Description	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted 1	Accum. Funds 2	Multi-year capital 3	Unfore. Unavold. 4	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
	A	A1	B	C	D	E	F	G	H		
R thousands											
Financial Performance											
Property rates	14,896	-	-	-	-	-	(500)	(500)	14,396	15,259	16,175
Service charges	20,907	-	-	-	-	-	412	412	21,320	22,162	23,492
Investment revenue	705	-	-	-	-	-	(52)	(52)	653	747	792
Transfers recognised - operational	58,653	-	-	-	-	26,702	-	26,702	85,355	52,431	56,909
Other own revenue	12,828	-	-	-	-	-	365	365	13,193	13,067	13,851
Total Revenue (excluding capital transfers and contributions)	107,989	-	-	-	-	26,702	225	26,927	134,916	103,667	111,219
Employee costs	36,232	-	-	-	-	-	(3,569)	(3,569)	32,663	37,919	40,180
Remuneration of councillors	2,769	-	-	-	-	-	-	-	2,769	2,935	3,111
Depreciation & asset impairment	3,964	-	-	-	-	-	(18)	(18)	3,946	4,202	4,454
Finance charges	150	-	-	-	-	-	(100)	(100)	50	159	169
Materials and bulk purchases	4,256	-	-	-	-	-	(1,409)	(1,409)	2,847	4,512	4,782
Transfers and grants	15,683	-	-	-	-	30,220	762	30,982	46,665	15,368	16,244
Other expenditure	27,012	-	-	-	-	-	4,975	4,975	31,987	27,931	31,379
Total Expenditure	90,066	-	-	-	-	30,220	641	30,861	120,927	93,025	100,319
Surplus/(Deficit)	17,922	-	-	-	-	(3,517)	(416)	(3,933)	13,989	10,642	10,900
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed	-	-	-	-	-	13,524	-	13,524	13,524	-	-
Surplus/(Deficit) after capital transfers & contributions	17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900
Capital expenditure & funds sources											
Capital expenditure	21,887	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	21,021	-	-	-	-	14,792	(5,219)	9,573	31,459	14,844	15,354
Public contributions & donations	-	-	-	-	-	8,524	-	8,524	29,545	14,033	14,610
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	866	-	-	-	-	-	1,049	1,049	1,914	810	744
Total sources of capital funds	21,887	-	-	-	-	8,524	1,049	9,573	31,459	14,844	15,354
Financial position											
Total current assets	29,259	-	-	-	-	-	-	-	29,259	30,343	32,163
Total non current assets	243,342	-	-	-	-	-	-	-	243,342	258,529	275,432
Total current liabilities	63,237	-	-	-	-	-	-	-	63,237	64,320	68,180
Total non current liabilities	1,224	-	-	-	-	-	-	-	1,224	1,224	1,298
Community wealth/Equity	208,140	-	-	-	-	-	-	-	208,140	223,327	236,727
Cash flows											
Net cash from (used) operating	17,801	-	-	-	-	-	-	-	17,801	16,830	19,960
Net cash from (used) investing	(17,801)	-	-	-	-	-	-	-	(17,801)	(18,830)	(19,960)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	(0)	-	-	-	-	-	-	-	(0)	(0)	(0)
Cash backing/surplus reconciliation											
Cash and investments available	20,115	-	-	-	-	-	-	-	20,115	16,524	17,516
Application of cash and investments	#####	-	-	-	-	-	-	-	#####	#####	#####
Balance - surplus (shortfall)	#####	-	-	-	-	-	-	-	#####	#####	#####
Asset Management											
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	3,964	-	-	-	-	-	(18)	(18)	3,946	4,202	4,454
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1,824	-	-	-	-	-	(756)	(756)	1,067	-	-
Free services											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-
Households below minimum service level											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

ADJUSTMENTS BUDGET 2013/2014

EC 109- Koukamma Municipality- Table B2 Adjustments Budget Financial Performance (revenue and expenditure)-

EC109 Kou-Kamma - Table B2 Adjustments Budget Financial Performance (standard classification) - 25/02/2014

Standard Description	Ref	Budget Year 2013/14										Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Net. or	Other	Total	Adjusted	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	Budget	Budget
R thousands	1, 4	A	5	6	7	8	9	10	11	12	+1 2014/15	+2 2015/16	
		A	A1	B	C	D	E	F	G	H			
Revenue - Standard													
<i>Governance and administration</i>		46,076	-	-	-	-	100	2,590	2,690	48,766	48,462	53,046	
Executive and council		23,705	-	-	-	-	-	104	104	23,809	25,741	28,943	
Budget and treasury office		22,356	-	-	-	-	100	463	563	22,908	22,704	24,065	
Corporate services		17	-	-	-	-	-	2,033	2,033	2,049	18	19	
<i>Community and public safety</i>		11,754	-	-	-	-	33,889	(3,152)	30,737	42,491	6,017	6,323	
Community and social services		2,154	-	-	-	-	-	(52)	(52)	2,102	1,141	1,154	
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	
Public safety		9,600	-	-	-	-	3,889	(3,100)	789	10,369	4,876	5,189	
Housing		-	-	-	-	-	30,000	-	30,000	30,000	-	-	
Health		-	-	-	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>		5,956	-	-	-	-	1,152	(2,107)	(954)	5,001	5,281	5,575	
Planning and development		297	-	-	-	-	220	(87)	133	429	302	312	
Road transport		4,843	-	-	-	-	-	933	(2,020)	(1,087)	3,756	5,263	
Environmental protection		816	-	-	-	-	-	-	-	816	-	-	
<i>Trading services</i>		44,203	-	-	-	-	5,085	2,893	7,978	52,181	43,806	46,275	
Electricity		3,137	-	-	-	-	-	(275)	(275)	2,862	3,326	3,525	
Water		25,764	-	-	-	-	5,085	2,980	8,065	33,829	24,381	25,558	
Waste water management		10,549	-	-	-	-	-	195	195	10,744	11,182	11,853	
Waste management		4,752	-	-	-	-	-	(7)	(7)	4,745	5,037	5,340	
Other		-	-	-	-	-	-	-	-	-	-	-	
Total Revenue - Standard	2	107,989	-	-	-	-	40,226	225	40,452	148,440	103,667	111,219	
Expenditure - Standard													
<i>Governance and administration</i>		38,089	-	-	-	-	-	(2,548)	(2,548)	35,541	40,074	43,769	
Executive and council		7,790	-	-	-	-	-	(540)	(540)	7,249	8,257	8,752	
Budget and treasury office		17,336	-	-	-	-	-	(1,242)	(1,242)	16,094	18,418	19,936	
Corporate services		12,964	-	-	-	-	-	(766)	(766)	12,198	13,399	15,081	
<i>Community and public safety</i>		10,128	-	-	-	-	30,000	(822)	29,178	39,306	9,620	10,141	
Community and social services		5,480	-	-	-	-	-	(367)	(367)	5,073	4,672	4,896	
Sport and recreation		143	-	-	-	-	-	(70)	(70)	73	151	161	
Public safety		4,181	-	-	-	-	-	(325)	(325)	3,857	4,432	4,688	
Housing		344	-	-	-	-	30,000	(41)	29,959	30,304	385	387	
Health		-	-	-	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>		8,556	-	-	-	-	220	(597)	(377)	8,180	7,304	8,233	
Planning and development		1,936	-	-	-	-	220	(35)	185	2,123	2,042	2,158	
Road transport		5,807	-	-	-	-	-	(562)	(562)	5,245	5,262	6,078	
Environmental protection		813	-	-	-	-	-	-	-	813	-	-	
<i>Trading services</i>		33,291	-	-	-	-	-	4,608	4,608	37,899	36,027	38,175	
Electricity		6,845	-	-	-	-	-	(1,506)	(1,506)	5,340	7,256	7,691	
Water		11,849	-	-	-	-	-	2,833	2,833	14,682	13,299	14,083	
Waste water management		7,848	-	-	-	-	-	1,983	1,983	9,831	8,319	8,818	
Waste management		6,749	-	-	-	-	-	1,298	1,298	8,047	7,154	7,583	
Other		-	-	-	-	-	-	-	-	-	-	-	
Total Expenditure - Standard	3	90,066	-	-	-	-	30,220	641	30,861	120,927	93,025	100,319	
Surplus/ (Deficit) for the year		17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900	

ADJUSTMENTS BUDGET 2013/2014

EC109 Kou-Kamma - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - 25/02/2014

Vote Description <i>[insert departmental structure etc]</i>	Ref	Budget Year 2013/14									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands	A	A1	B	C	D	E	F	G	H	+1 2014/15	+2 2015/16	
Revenue by Vote	1											
Vote 1 - EXECUTIVE & COUNCIL		23,721	-	-	-	-	-	137	137	23,858	25,758	28,981
Vote 2 - FINANCE & ADMINISTRATION		22,355	-	-	-	-	100	2,453	2,553	24,908	22,704	24,085
Vote 3 - PLANNING & DEVELOPMENT		297	-	-	-	-	220	(87)	133	429	302	312
Vote 4 - HEALTH		816	-	-	-	-	-	-	-	816	-	-
Vote 5 - COMMUNITY & SOCIAL SERVICES		2,154	-	-	-	-	-	(52)	(52)	2,102	1,141	1,154
Vote 6 - HOUSING		-	-	-	-	-	30,000	-	30,000	30,000	-	-
Vote 7 - PUBLIC SAFETY		9,600	-	-	-	-	3,889	(3,100)	789	10,389	4,676	5,169
Vote 8 - SPORT & RECREATION		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - ENVIRONMENTAL PROTECTION		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		4,752	-	-	-	-	-	(7)	(7)	4,745	5,037	5,340
Vote 11 - WASTE WATER MANAGEMENT		10,549	-	-	-	-	-	195	195	10,744	11,182	11,853
Vote 12 - ROAD TRANSPORT		4,843	-	-	-	-	933	(2,020)	(1,087)	3,756	4,979	5,293
Vote 13 - WATER		25,784	-	-	-	-	5,085	2,980	8,065	33,829	24,361	25,558
Vote 14 - ELECTRICITY		3,137	-	-	-	-	-	(275)	(275)	2,862	3,326	3,525
Vote 15 - OTHER		-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	107,989	-	-	-	-	40,226	225	40,452	148,440	103,667	111,219
Expenditure by Vote	1											
Vote 1 - EXECUTIVE & COUNCIL		9,022	-	-	-	-	-	(425)	(425)	8,597	9,563	10,137
Vote 2 - FINANCE & ADMINISTRATION		29,067	-	-	-	-	-	(2,123)	(2,123)	26,944	30,511	33,632
Vote 3 - PLANNING & DEVELOPMENT		1,938	-	-	-	-	220	(35)	185	2,123	2,042	2,156
Vote 4 - HEALTH		813	-	-	-	-	-	-	-	813	-	-
Vote 5 - COMMUNITY & SOCIAL SERVICES		5,460	-	-	-	-	-	(387)	(387)	5,073	4,672	4,696
Vote 6 - HOUSING		344	-	-	-	-	30,000	(41)	29,959	30,304	366	387
Vote 7 - PUBLIC SAFETY		4,181	-	-	-	-	-	(325)	(325)	3,857	4,432	4,698
Vote 8 - SPORT & RECREATION		143	-	-	-	-	-	(70)	(70)	73	151	161
Vote 9 - ENVIRONMENTAL PROTECTION		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		6,749	-	-	-	-	-	1,298	1,298	8,047	7,154	7,583
Vote 11 - WASTE WATER MANAGEMENT		7,848	-	-	-	-	-	1,983	1,983	9,831	8,319	8,818
Vote 12 - ROAD TRANSPORT		5,807	-	-	-	-	-	(562)	(562)	5,245	6,000	6,847
Vote 13 - WATER		11,849	-	-	-	-	-	2,833	2,833	14,682	12,560	13,314
Vote 14 - ELECTRICITY		6,845	-	-	-	-	-	(1,505)	(1,505)	5,340	7,266	7,691
Vote 15 - OTHER		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	90,066	-	-	-	-	30,220	641	30,861	120,927	93,025	100,319
Surplus/ (Deficit) for the year	2	17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900

ADJUSTMENTS BUDGET 2013/2014

EC109 Kou-Kamma - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 25/02/2014

Description	Ref	Budget Year 2013/14									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Net. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjus.	Adjus.	Budget	Budget	Budget
R thousands	1	A	3	4	5	6	7	8	9	10	+1 2014/15	+2 2015/16
		A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	14,386	-	-	-	-	-	-	-	14,386	15,259	16,175
Property rates - penalties & collection charges		500	-	-	-	-	-	(500)	-	-	-	-
Service charges - electricity revenue	2	2,038	-	-	-	-	-	(254)	(254)	1,784	2,160	2,280
Service charges - water revenue	2	7,838	-	-	-	-	-	480	480	8,318	8,308	8,807
Service charges - sanitation revenue	2	7,580	-	-	-	-	-	186	186	7,766	8,035	8,517
Service charges - refuse revenue	2	3,452	-	-	-	-	-	-	-	3,452	3,669	3,878
Service charges - other		-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		108	-	-	-	-	-	29	29	137	115	121
Interest earned - external investments		705	-	-	-	-	-	(52)	(52)	653	747	792
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	530	562
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines		4,000	-	-	-	-	-	(3,400)	(3,400)	600	4,240	4,494
Licences and permits		161	-	-	-	-	-	(158)	(158)	3	170	181
Agency services		4,000	-	-	-	-	-	(2,020)	(2,020)	1,980	4,240	4,494
Transfers recognised - operating		58,853	-	-	-	-	26,702	-	26,702	85,555	52,431	56,909
Other revenue	2	4,559	-	-	-	-	-	3,915	3,915	8,474	3,772	3,999
Gains on disposal of PPE		-	-	-	-	-	-	2,000	2,000	2,000	-	-
Total Revenue (excluding capital transfers and contributions)		107,989	-	-	-	-	26,702	225	26,927	134,916	103,667	111,219
Expenditure By Type												
Employee related costs		36,232	-	-	-	-	-	(3,669)	(3,669)	32,563	37,919	40,180
Remuneration of councillors		2,769	-	-	-	-	-	-	-	2,769	2,935	3,111
Debt impairment		2,580	-	-	-	-	-	7,733	7,733	10,313	2,735	2,899
Depreciation & asset impairment		3,964	-	-	-	-	-	(18)	(18)	3,946	4,202	4,454
Finance charges		150	-	-	-	-	-	(100)	(100)	50	159	169
Bulk purchases		4,256	-	-	-	-	-	(1,409)	(1,409)	2,847	4,512	4,782
Other materials		-	-	-	-	-	-	-	-	-	-	-
Contracted services		3,539	-	-	-	-	-	(587)	(587)	2,952	3,751	3,977
Transfers and grants		15,883	-	-	-	-	30,220	762	30,982	46,665	15,388	16,244
Other expenditure		20,892	-	-	-	-	-	(2,171)	(2,171)	18,721	21,444	24,503
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		90,066	-	-	-	-	30,220	541	30,861	120,927	93,025	100,319
Surplus/(Deficit)												
Transfers recognised - capital		17,922	-	-	-	-	(3,517)	(416)	(3,933)	13,989	10,642	10,900
Contributions		-	-	-	-	-	13,524	-	13,524	13,524	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation		17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900
Taxation		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		17,922	-	-	-	-	10,007	(416)	9,591	27,513	10,642	10,900

References

Under the operating revenue of the municipality the major adjustments made was in relation to:

Fines – The original budget for traffic fines was R4 million however as at 31 December 2013 only R265 thousand were collected. The municipality planned to outsource the traffic function to an external company. The company would be paid on a commission basis and supply their own equipment such as mobile camera's and setting up two permanent camera's on the N2 as well as supplying a back office for administration purposes. However to date the planned project has not started. Currently the municipality is only operating with five traffic officers and one mobile camera hence adjustments had to be made based on collection levels to date.

Agency Fees – The original budget was agency fees was R4 million however as at 31 December 2013 only R990 thousand were collected. The municipality planned to re-open the road worthy test station in Joubertina which will contribute to the operating revenue base of the municipality. The calibration of the testing station was done in August 2013 however the municipality is waiting for funding from the Department of Transport for the installation of an e-natis line as this process is a legal requirement by law.

ADJUSTMENTS BUDGET 2013/2014

The municipality budgeted R 500 000 for the levying of interest on arrear debtors accounts. The process is yet to be implemented and will not be implemented in this current financial year therefore the original budgeted was subsequently removed.

The municipality also budgeted for an additional R 2 million to be received from the sale of municipal properties, plant and equipment which is no longer in use and vacant land/plots for residential or business use.

Under transfers and grants the municipality also budgeted to receive R550 000 from Cacadu for the acquisition of four vehicles for the traffic officers and one vehicle for the finance department. Currently our traffic officers are utilising their own vehicles to perform their duties as officials likewise the finance department are using their own vehicles to collect the revenue from the satellite offices on a weekly basis.

Under the operating expenditure of the municipality the major adjustments made was in relation to:

Employee Related Costs – The original budget was R 36 232 million however as at 31 December 2013 only R16 million was spend. This is attributable to vacant posts filled only in the second quarter of the financial year and newly budgeted posts not filled at all hence the reduction of employee related costs to the value of R3.5 million.

Debt Impairment – The original budget was R 2 580 million however the collection levels of the municipality is low (this varies from (20 –30 %) therefore debt impairment was adjusted to R 10 313 million.

Bulk Purchases – The original budget was R 4 256 million however actual expenditure as at 31 December 2013 was R 1.4 million hence bulk purchases estimate was reduced by R 1 409 million.

Under transfers and grants the municipality did not budget for expenditure relating to the rectification of RDP houses however as at 31 December 2013 expenditure to the value of R 16.8 million was already incurred. Funding for the above mentioned project is obtained from the Department of Human Settlements. A projection of R30 million was made and included in the adjustments budget.

Under contracted services the municipality planned to install trackers in all service delivery vehicles and budgeted for a monthly payment of R8 000. The tracking system has been installed but is not fully functioning yet hence not payment was made to the service provider. The budget was subsequently reduced by R587 thousand.

Due to the low revenue collection levels of the municipality expenditure estimates had to be downscaled as indicated in terms of section 28 (2) a of the MFMA act 56 of 2003 therefore Other expenditure was decreased by R2.1 million.

Considering the above mentioned factors an adjustment budget is inevitable.

ADJUSTMENTS BUDGET 2013/2014

EC109 Kou-Kamma - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 25/02/2014

Description	Ref	Budget Year 2013/14									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H	+1 2014/15	+2 2015/16
Capital expenditure - Vote												
Multi-year expenditure to be adjusted	2											
Vote 1 - EXECUTIVE & COUNCIL		137	-	-	-	-	-	(115)	(115)	22	39	41
Vote 2 - FINANCE & ADMINISTRATION		150	-	-	-	-	-	32	32	182	161	56
Vote 3 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - HEALTH		4	-	-	-	-	-	-	-	4	-	-
Vote 5 - COMMUNITY & SOCIAL SERVICES		10	-	-	-	-	-	(10)	(10)	-	11	11
Vote 6 - HOUSING		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - PUBLIC SAFETY		5,236	-	-	-	-	8,889	(5,086)	3,854	9,089	250	265
Vote 8 - SPORT & RECREATION		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - ENVIRONMENTAL PROTECTION		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		30	-	-	-	-	-	(6)	(6)	24	32	34
Vote 11 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - ROAD TRANSPORT		200	-	-	-	-	818	(85)	733	933	212	225
Vote 13 - WATER		16,121	-	-	-	-	5,085	-	5,085	21,206	14,139	14,722
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - OTHER		-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	3	21,887	-	-	-	-	14,792	(5,219)	9,573	31,459	14,844	15,354
Single-year expenditure to be adjusted	2											
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE & ADMINISTRATION		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - HOUSING		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - SPORT & RECREATION		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - ENVIRONMENTAL PROTECTION		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - ROAD TRANSPORT		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - WATER		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - OTHER		-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		21,887	-	-	-	-	14,792	(5,219)	9,573	31,459	14,844	15,354
Capital Expenditure - Standard												
Governance and administration		287	-	-	-	-	-	(83)	(83)	204	200	97
Executive and council		27	-	-	-	-	-	(10)	(10)	17	28	30
Budget and treasury office		130	-	-	-	-	-	(17)	(17)	114	32	34
Corporate services		130	-	-	-	-	-	(56)	(56)	74	140	34
Community and public safety		5,246	-	-	-	-	3,889	(46)	3,844	9,089	260	276
Community and social services		10	-	-	-	-	8,439	(10)	8,429	8,439	11	11
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		5,236	-	-	-	-	(4,550)	(36)	(4,586)	650	250	265
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		204	-	-	-	-	818	(85)	733	937	212	225
Planning and development		-	-	-	-	-	-	-	-	-	-	-
Road transport		200	-	-	-	-	818	(85)	733	933	212	225
Environmental protection		4	-	-	-	-	-	-	-	4	-	-
Trading services		16,151	-	-	-	-	5,085	(6)	5,079	21,230	14,171	14,756
Electricity		-	-	-	-	-	-	-	-	-	-	-
Water		16,021	-	-	-	-	5,085	-	5,085	21,105	14,033	14,610
Waste water management		100	-	-	-	-	-	-	-	100	106	112
Waste management		30	-	-	-	-	-	(6)	(6)	24	32	34
Other		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	21,887	-	-	-	-	9,792	(219)	9,573	31,459	14,844	15,354
Funded by:												
National Government		16,021	-	-	-	-	13,524	-	13,524	29,545	14,033	14,610
Provincial Government		5,000	-	-	-	-	(5,000)	-	(5,000)	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-
Total Capital transfers recognised	4	21,021	-	-	-	-	8,524	-	8,524	29,545	14,033	14,610
Public contributions & donations		-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		866	-	-	-	-	-	1,049	1,049	1,914	810	744
Total Capital Funding		21,887	-	-	-	-	8,524	1,049	9,573	31,459	14,844	15,354

ADJUSTMENTS BUDGET 2013/2014

EC109 Kou-Kamma - Table B6 Adjustments Budget Financial Position - 25/02/2014

Description	Ref	Budget Year 2013/14									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H	+1 2014/15	+2 2015/16
ASSETS												
Current assets												
Cash		115								115	524	558
Call investment deposits	1	20,000	-	-	-	-	-	-	-	20,000	16,000	16,960
Consumer debtors	1	9,144	-	-	-	-	-	-	-	9,144	13,818	14,547
Other debtors												
Current portion of long-term receivables												
Inventory												
Total current assets		29,259	-	-	-	-	-	-	-	29,259	30,343	32,163
Non current assets												
Long-term receivables												
Investments												
Investment property		29								29	29	31
Investment in Associate												
Property, plant and equipment	1	242,789	-	-	-	-	-	-	-	242,789	257,976	273,454
Agricultural												
Biological												
Intangible		524								524	524	555
Other non-current assets												1,392
Total non current assets		243,342	-	-	-	-	-	-	-	243,342	258,529	275,432
TOTAL ASSETS		272,601	-	-	-	-	-	-	-	272,601	288,871	307,595
LIABILITIES												
Current liabilities												
Bank overdraft												
Borrowing												
Consumer deposits		123								123	134	142
Trade and other payables		63,022								63,022	64,094	67,940
Provisions		92								92	92	98
Total current liabilities		63,237	-	-	-	-	-	-	-	63,237	64,320	68,180
Non current liabilities												
Borrowing	1											
Provisions	1	1,224								1,224	1,224	1,298
Total non current liabilities		1,224	-	-	-	-	-	-	-	1,224	1,224	1,298
TOTAL LIABILITIES		64,461	-	-	-	-	-	-	-	64,461	65,544	69,477
NET ASSETS	2	208,140	-	-	-	-	-	-	-	208,140	223,327	238,118
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		221,940								221,940	237,915	252,190
Reserves		(13,800)								(13,800)	(14,588)	(15,464)
TOTAL COMMUNITY WEALTH/EQUITY		208,140	-	-	-	-	-	-	-	208,140	223,327	236,727

ADJUSTMENTS BUDGET 2013/2014

EC109 Kou-Kamma - Table B7 Adjustments Budget Cash Flows - 25/02/2014

Description	Ref	Budget Year 2013/14									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2014/15	+2 2015/16
R thousands		A	A1	B	C	D	E	F	G	H	Adjusted Budget	Adjusted Budget
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		42,682										
Government - operating	1	35,274							-	42,682	45,377	48,100
Government - capital	1	17,801							-	35,274	38,222	40,515
Interest		1,271							-	17,801	18,830	19,960
Dividends									-	1,271	1,348	1,428
Payments												
Suppliers and employees		(67,680)										
Finance charges		(172)								(67,680)	(72,707)	(77,069)
Transfers and Grants	1	(11,375)								(172)	(182)	(193)
NET CASH FROM/(USED) OPERATING ACTIVITIES		17,801								(11,375)	(12,057)	(12,781)
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE												
Decrease (increase) in non-current debtors												
Decrease (increase) other non-current receivables												
Decrease (increase) in non-current investments												
Payments												
Capital assets		(17,801)										
NET CASH FROM/(USED) INVESTING ACTIVITIES		(17,801)								(17,801)	(18,830)	(19,960)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans												
Borrowing long term/refinancing												
Increase (decrease) in consumer deposits												
Payments												
Repayment of borrowing												
NET CASH FROM/(USED) FINANCING ACTIVITIES		-								-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD												
Cash/cash equivalents at the year begin:	2	(0)									(0)	(0)
Cash/cash equivalents at the year end:	2	(0)									(0)	(0)

ADJUSTMENTS BUDGET 2013/2014

EC109 Kou-Kamma - Table B9 Asset Management - 25/02/2014

Description	Ref	Budget Year 2013/14									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands		A	A1	B	C	D	E	F	G	H	+1 2014/15	+2 2015/16
CAPITAL EXPENDITURE												
Total New Assets to be adjusted	1	21,887	-	-	-	-	-	9,573	9,573	31,459	14,739	15,354
Infrastructure - Road transport		200	-	-	-	-	-	8,354	8,354	8,554	530	562
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Water		16,021	-	-	-	-	-	5,903	5,903	21,924	14,033	14,610
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		16,221	-	-	-	-	-	14,257	14,257	30,478	14,563	15,172
Community		5,000	-	-	-	-	-	(5,000)	(5,000)	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	666	-	-	-	-	-	316	316	981	176	182
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets to be adjusted	2	-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure to be adjusted	4	21,887	-	-	-	-	-	9,573	9,573	31,459	14,739	15,354
Infrastructure - Road transport		200	-	-	-	-	-	8,354	8,354	8,554	530	562
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Water		16,021	-	-	-	-	-	5,903	5,903	21,924	14,033	14,610
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		16,221	-	-	-	-	-	14,257	14,257	30,478	14,563	15,172
Community		5,000	-	-	-	-	-	(5,000)	(5,000)	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	666	-	-	-	-	-	316	316	981	176	182
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE to be adjusted	2	21,887	-	-	-	-	-	9,573	9,573	31,459	14,739	15,354
ASSET REGISTER SUMMARY - PPE (WDV)	5											
Infrastructure - Road transport												
Infrastructure - Electricity												
Infrastructure - Water												
Infrastructure - Sanitation												
Infrastructure - Other												
Infrastructure												
Community												
Heritage assets												
Investment properties												
Other assets												
Intangibles												
Agricultural Assets												
Biological assets												
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5											
EXPENDITURE OTHER ITEMS												
Depreciation & asset impairment		3,964	-	-	-	-	-	(18)	(18)	3,946	4,202	4,454
Repairs and Maintenance by asset class	3	1,824	-	-	-	-	-	(758)	(758)	1,067	-	-
Infrastructure - Road transport		30	-	-	-	-	-	(30)	(30)	1	-	-
Infrastructure - Electricity		33	-	-	-	-	-	(22)	(22)	11	-	-
Infrastructure - Water		180	-	-	-	-	-	(49)	(49)	130	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		100	-	-	-	-	-	(102)	(100)	-	-	-
Infrastructure		343	-	-	-	-	-	(201)	(201)	142	-	-
Community		197	-	-	-	-	-	(36)	(36)	161	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	1,283	-	-	-	-	-	(513)	(519)	764	-	-
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		5,788	-	-	-	-	-	(776)	(774)	5,013	4,202	4,454
KOU-KAMMA LOCAL MUNICIPALITY												
Renewal as a % of PPE		0.0%	0.0%							0.0%	0.0%	0.0%
Renewal of existing assets as % of deprec		0.0%	0.0%							0.0%	0.0%	0.0%
R&M as a % of PPE		0.0%	0.0%							0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE		0.0%	0.0%							0.0%	0.0%	0.0%

PART2- SUPPORTING DOCUMENTATION

Adjustments to budget assumptions

When preparing a budget, certain assumptions are usually made. When compiling the annual budget for the 2013/2014 financial year, assumptions were made with regards to external factors and the current economic climate in the country. These assumptions were highlighted in the supporting schedules presented to council under the heading of "Budget Assumptions" in the original budget tabled in May 2013. None of those assumptions made for the original budget were changed during the compilation of the adjustments budget.

Below is a summary of the budget assumptions made in the original budget:

External factors

Owing to the economic slowdown financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances. This assumption did not change with the compilation of the adjustments budget.

General inflation outlook and its impact on the municipal activities

There were five key factors that had been taken into consideration in the compilation of the 2013/14 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

There was no change in the adjustments budget to the five factors considered in the original budget.

Collection rate for revenue services

The base assumption in the original budget was that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (25 percent in December) of annual billings excluding rates. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

It was noted in the Mid-Year Budget and Performance Assessment that approximately R44 million remains uncollected as per the debtor's age analysis.

Growth or decline in tax base of the municipality

Debtors' revenue was initially assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

ADJUSTMENTS BUDGET 2013/2014

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing' households 'is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth ,as it is assumed that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household 'limits consumption to the level of free basic services.

Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2012 and shall remain in force until 30 June 2015. Salary increases were budgeted at 7% resulting in an effective 8% increase in tariffs.

This initial assumption had not changed. However, based on the Mid-year report, indications are that the budget allocated is sufficient to meet these wage demands though there is under spending of 12% as against the budget. The under spending can be attributed to vacancies of newly budgeted posts and resignations of former employees. Subsequently the salary budget has been adjusted.

Ability of the municipality to spend and deliver on the programmes

Although there is a major under spending on capital projects (MIG) for the year to date, the planning of projects to be implemented has been revised to include the implementation and registration of new projects to accelerate the implementation of projects identified in the IDP. This assumption has not changed.

Adjustments to budget funding

Expenditure and income estimates have changes in the adjustments budget and as a result, the funding of the budget had changes as compared to the original budget.

The following table is a breakdown of the operating revenue over the medium-term that was included in the original budget tabled in May 2013:

Breakdown of the operating revenue over the medium-term

Description	Budget Year		2013/14 Medium Term Revenue & Expenditure Framework			
	Current Year 2012/2013	Budget Year 2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Revenue By Source						
Property rates	11 278	14 396	15 259	16 175		
Property rates - penalties & collection charge	0	0	0	0		
Service charges - electricity revenue	1 887	2 037	2 160	2 290		
Service charges - refuse revenue	3 256	3 452	3 659	3 878		
Rental of facilities and equipment	102	108	115	121		
Interest earned - outstanding debtors	550	500	530	562		
Fines	2 752	4 000	4 240	4 494		
Licences and permits	151	161	170	181		
Transfers recognised - operational	51 863	58 653	52 431	56 909		
Other revenue	4 632	4 559	3 772	3 999		
Total Revenue (excluding capital transfers and	R 76 477	R 87 866	R 82 336	R 88 609		

ADJUSTMENTS BUDGET 2013/2014

Breakdown of operating revenue over the 2013/14 MTREF

The adjusted budget funding is as follows:

Description	Original Budget	Adjusted Budget
R thousands		
Property rates	14 395	14 395
Service charges-electricity revenue	2 038	1 784
Service charges-refuse revenue	3 452	3 452
Service charges - Water	7 838	8 318
Service charges - Sewerage	7 580	7 766
Rental of facilities and equipment	108	137
Interest earned-outstanding debtors	500	0
Fines	4 000	600
Agency Fees	4 000	1 980
Licenses and Permits	161	2
Transfers recognized –operating	58 653	85 355
Interest on investments	705	653
Gains with the sale of assets	nil	2 000
Other revenue	4 559	8 474
Total Revenue(excluding capital transfers)	R 107 989	R 134 916

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95percentannual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles remained constant and were not amended with the compilation of the adjustments budget.

ADJUSTMENTS BUDGET 2013/2014

Adjustments to expenditure on allocations and grant programmes

There was much change to the grant allocations from both National and Provincial Government. Below is a table that summaries all the adjustments made.

Description	Original Budget	Adjustment	Adjustments Budget
CAPITAL GRANTS			
MIG	16 020 800	0	16 020 800
Cacadu Grants(Acquisition of vehicles)	nil	550 000	550 000
ROLL OVER 2012/13 MIG		5 085 061	5 085 061
Municipal Disaster Management Grant		8 439 000	8 439 000
OPERATING GRANTS			
Finance Management	1 650 000	nil	1 650 000
Equitable Share	31 384 000	Nil	31 384 000
MSIG	890 000	nil	890 000
Library Subsidies	932 000	nil	932 000
LED	117 000	275	117 275
Expanded Public Works Programme	1 000 000	nil	1 000 000
Environmental Health	816 000	nil	816 000
Councillors Remuneration	2 768 732	-	2 768 732
Cacadu Grants(Acquisition of vehicles)	nil	550 000	550 000
HOUSING REFURBISHMENT GRANT	nil	30 000 000	30 000 000

Adjustments to allocations and grants made by the municipality

There were no allocations and grants made by Kou-Kamma Municipality to any other municipality. There were, however, adjustments made to amounts billed for free basic services. The free basic services includes amounts billed to consumers who have registered as indigent on the municipal indigent register and amounts billed on the R15 000 impermissible property rates values for all ratepayers. To qualify for indigent subsidy the joint income per household must be R1 500 and below. The original budget for free basic services was R6.8 million this has been adjusted to R7.66 million.

Adjustments to councillor allowances and employee benefits

Cost associated with the Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent Circular No. 37 of 2013 from the Minister of Cooperative Governance and Traditional Affairs was noted by Council in its Council meeting of 24 January 2014. However, provision of 7% increase was made when compiling the 2013/14 budget to cater for such increases in Councillors Remuneration. Immediately the Gazette is issued by the Minister of Cooperative Governance and Traditional Affairs and the necessary approval has been obtained from the MEC for Local Government and Traditional Affairs the councillors would be paid their increases back dated to 01 July 2013.

Adjustments to service delivery and budget implementation plan

The SDBIP would have to be amended to incorporate the changes that have occurred in the adjustments budget. All the revenue and expenditure estimates will be amended as well as all the capital projects. Cash flows will be amended accordingly.

Adjustments to capital expenditure

Below is a table that highlights all the adjustments to the capital budget and its funding source.

Description	Funding	Original Budget	Adjustment	Adjustment Budget
MIG	NT	16 020 800	5 085 061	21 105 861
Fire station	Public works	5 000 000	-5 000 000	nil
Disaster recovery	NT	nil	8 439 000	8 439 000

Municipal manager's quality certificate

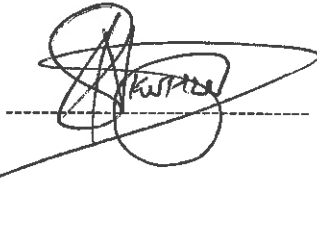
I, **Sabelo Nkuhlu**, the Municipal Manager of Kou-Kamma Local Municipality, hereby certify that the 2013/14 adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budgeting and Reporting Regulations made under the Act, and that the 2013/14 adjustments budget and the supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Name: Sabelo Nkuhlu

Municipal Manager

Kou-Kamma Local Municipality

Signature:



A handwritten signature in black ink, appearing to read 'Sabelo Nkuhlu', is written over a horizontal dashed line. The signature is stylized and includes a long horizontal stroke extending to the left.

Tel No: 0422887200
Fax No. 0422880797
Private Bag X011
KAREEDOUW
6400
koukamma@koukamma.gov.za



Our Ref : 3/2/2/3

Your Ref:

All Correspondence must be addressed to the Municipal Manager

Koukamma Municipality

Office of the Municipal Manager

26 FEBRUARY 2014

EXTRACT OF MINUTES OF ORDINARY COUNCIL MEETING HELD IN NEWREST COMMUNITY HALL , 25 FEBRUARY 2014 AT 10:00

7. REPORTS FROM THE SPEAKER/ MAYOR

7.1 REPORT ON THE ADJUSTMENTS BUDGET OF KOUKAMMA MUNICIPALITY FOR 2013/2014 FINANCIAL YEAR.

Council Meeting

25 February 2014

25/02/2014:182

Ref: 3/2/2/3

Resolved

- a) That the Adjustments Budget for the Financial Year 2013/2014 as required by Section 28(2) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) read with Regulation 23 (1) (3) of the Municipal Budget and Reporting Regulations, 17 of 2009 is approved.
- b) That the Roll over amount of the unspent R5 million (MIG) 2012/2013 allocations be dealt with in terms of Regulation 23 (3) of the Municipal Budget and Reporting Regulations (MBRR) read with section 28 (2) (b) of the Municipal Finance Management Act, 2003 (Act 56 of 2003).


S. Nkuhlu
Municipal Manager

KOUKAMMA MUNICIPALITY

26 FEB 2014

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KAREEDOUW, 6400