



OPERATING AND CAPITAL ADJUSTMENT BUDGET 2013-2014

Prepared By: Budget and Treasury Office

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Glossary

Act – means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debt collection policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

MFMA – The Municipal Finance Management Act – no 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

Own Revenue – Means total revenue as reflected in the municipality's financial performance budget less national and provincial conditional transfers.

PART 1 – ADJUSTMENT BUDGET

1. INTRODUCTION

PURPOSE

The purpose is to submit to Council the Multi-Year Adjustment Budget 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 new Municipal Budget and Reporting Regulations.

AUTHORITY

Mayor

LEGAL / STATUTORY REQUIREMENTS

Municipal Finance Management Act No 56, 2003, Section 28.

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."*

DISCUSSION

A municipality may table an Adjustment Budget in the municipal Council at any time after the Mid-Year Budget and Performance Assessment is tabled to Council, but not later than 28 February as required by Section 23(j) of the Municipal Budget and Reporting Regulations (MBRR)

Section 21 of the MBRR states that an Adjustment Budgets and supporting documentation of a municipality must be in the format specified in Schedule B and includes all the tables and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168(1) of the Act.

Furthermore, Section 22 of the MBRR further states that (1) an Adjustment Budget of a municipality must be appropriately funded and that (2) the supporting documentation to accompany an Adjustment Budget in terms of Section 28(5) of the Act must contain an explanation of how the Adjustment Budget is funded.

2. Mayor's report

MAYORAL MESSAGE ON THE PRESENTATION OF THE ADJUSTMENT BUDGET 2013/14

TO COUNCIL, TUESDAY 28 JANUARY 2014

COUNCIL CHAMBERS, 09H00

Mr Speaker

Honourable councilors

The Office of the Auditor General

The Municipal Manager and Heads of Departments

Members of the media

Distinguished guests

Ladies and gentlemen

I would like to extend warm greetings of the New Year to each and every one of you.

We meet at a time when we are just a few months shy of the 20- year anniversary of our democratic breakthrough. It is an important milestone which each one of us should rightly celebrate. The Goldman Sachs report on this period which was released in November last year paints a picture of a country which has progressed in all material areas including the economy, health, poverty reduction and unemployment.

Having said that, we cannot downplay the fact that serious challenges remain, the most glaring of which is perhaps the ever- increasing inequality gap between the rich and the poor. Given the extent and the magnitude of what has been achieved in a short space of two decades, we have no doubt that working together, we will effectively overcome these challenges and achieve the prosperous society which is envisaged by the National Development Plan.

Honourable Councillors; ladies and gentlemen, I wish to present to you the adjustment budget for the financial year 2013/2014. For this purpose we have relied on the following:

- Monthly Budget Statements for the 1st half of the year
- The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators as set out in the SDBIP

We do this in line with Section 72(1) of the Municipal Finance Management Act of 2003, which enjoins us to assess our performance during the first half of the financial year to evaluate whether we are on course to fulfill the objectives we have set ourselves against the approved budget.

In addition, Section 28 also stipulates that the adjustment budget process:

- may appropriate additional revenues that have become available over and above those anticipated in the annual budget; but only to revise or accelerate spending on programmes already budgeted for; no new projects can be accommodated in this budget
- 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 rollovers when the current year's budget was approved by council;
- must adjust the revenue and expenditure estimates downwards if there is a material under collections of revenue during the current year;
- may authorize the utilization of projected savings in one vote towards spending under another vote; and
- may also correct any errors in the annual budget

It is in this regard that I stand before you to table a total adjustment budget of R727 304.571; comprising an operating budget of R598 266 and a capital budget of R129 038.571.

We are aware that most of our departments are generally on course to spend their budgets as per approved plan. We do however continue to face constraints in some respects, in particular as it relates to our capital projects. It is of serious concern that we had reportedly spent less than 20% of our capital budget as at the end of December 2013. As a result, we have no option but to revise our projected spending downwards for the rest of the year.

I wish to urge us to re-commit ourselves to optimize the efficiency of our operations in order to eliminate unnecessary delays in the delivery of essential basic services to which our people are entitled.

We are very much aware that we continue to face an uncertain economic climate, which may have an adverse effect on our collection rate. Nonetheless it is encouraging to note that our revenues are slightly up, and as a result we have had to adjust our projections accordingly.

We have also realized some minor savings on our staffing bill, a trend which we hope to maintain and improve upon. These combined savings will be used to reinforce our core function of service delivery; in particular the verge maintenance contracts.

We are also in discussions with the Road Accident Fund, who have indicated a willingness to pilot a pothole- fixing program in our area in the value of R10 million.

In light of the strategic positioning of our beaches on the tourism industry, the management of beach facilities will now become the responsibility of the Aquatic Safety Section. In this regard, R1 million is being diverted to this section for the maintenance of beach infrastructure.

I therefore present this adjustment budget for Council's consideration. I hope that we will continue to work together as we strive to change the lives of our people for the better.

I thank you

MAYOR

3. Resolutions

The Council of the Hibiscus Coast Municipality at a meeting on 28 January 2014 considered the adjustment budget for approval. The following are the resolutions:

3.1 THAT the attached Adjustment Operating Budget in respect of 2013/2014 be approved as follows:

Total Operating Income R598, 266,272.00

Total Operating Expenditure R598, 266,272.00

3.2 THAT the Adjustment Capital Budget for the 2013/2014 financial year as tabled in the amount of R129,038,571.00 be approved.

4.1 Consolidated Overview

Hibiscus Coast-Adjustment Budget- Consolidated Summary				
Description	Approved Budget 2012/13	Adjustments	Adjusted Budget 2012/13	(Decrease)/ Increase
(Thousands)				
Total Operating Revenue	593,003	5,263	598,266	5,263
Total Operating Expenditure	593,003	5,263	598,266	5,263
Total Capital Budget	139,521	(10,383)	129,138	(10,383)

The above table indicates the changes from original budget to proposed adjusted budget for the period 2013-2014.

Total Operating Revenue

The total operating revenue has been increased by R5.2 million from R593 to R598 million. The detail explanation of the increase is explained under table 2.2.

Total Operating Expenditure

The total operating expenditure has been increased by R5.2 million and the details of the increase are explained in table 2.3.

Total Capital Budget

The total capital budget has been reduced by R10 million from R139 to R129 million and the reasons for the decrease are explained under table 2.4.

4.2 Financial Performance

Hibiscus Coast - Adjustment Budget -Financial Performance -Revenue and Expenditure				
Description	Budget Year 2013/14			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Revenue By Source				
Property rates	289,374	–	–	289,374
Service charges - electricity revenue	93,383	–	–	93,383
Service charges - refuse revenue	49,331	–	–	49,331
Rental of facilities and equipment	2,414	–	–	2,414
Interest earned - external investments	5,525	–	–	5,525
Interest earned - outstanding debtors	9,488	–	–	9,488
Fines	9,904	–	–	9,904
Licences and permits	6,435	–	–	6,435
Agency services	3,960	340	340	4,300
Transfers recognised - operating	111,786	3,129	3,129	114,915
Other revenue	11,403	1,794	1,794	13,197
Total Revenue	593,003	5,263	5,263	598,266
Expenditure By Type				
Employee related costs	265,522	(291)	(291)	265,231
Remuneration of councillors	17,708	–	–	17,708
Depreciation & asset impairment	48,440	–	–	48,440
Finance charges	6,998	(302)	(302)	6,696
Bulk purchases	64,496	–	–	64,496
Repairs and maintenance	38,244	428	428	38,672
Contracted services	26,365	2,025	2,025	28,390
Transfers and grants	4,036	–	–	4,036
Other expenditure	121,194	3,403	3,403	124,596
Total Expenditure	593,003	5,263	5,263	598,266
Surplus/ (Deficit) for the year	–	–	–	–

The above table indicates the statement of financial performance with revenue and expenditure the above table can be further divided as per below and detail explanation of the changes in the original budget.

4.3 Revenue by Source

The following table indicates the effect of the adjustments budget on the operating revenue budget for 2013/14.

Hibiscus Coast - Adjustment Budget -Financial Performance -Revenue By Source				
Description	Budget Year 2013/14			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Revenue By Source				
Property rates	289,374	–	–	289,374
Service charges - electricity revenue	93,383	–	–	93,383
Service charges - refuse revenue	49,331	–	–	49,331
Rental of facilities and equipment	2,414	–	–	2,414
Interest earned - external investments	5,525	–	–	5,525
Interest earned - outstanding debtors	9,488	–	–	9,488
Fines	9,904	–	–	9,904
Licences and permits	6,435	–	–	6,435
Agency services	3,960	340	340	4,300
Transfers recognised - operating	111,786	3,129	3,129	114,915
Other revenue	11,403	1,794	1,794	13,197
Total Revenue	593,003	5,263	5,263	598,266

Revenue by Source

The revenue budget has been increased by R5.2 million from R593 to R598 million and the increase can be attributed to the following:

- Transfers recognised has been increased by R5.7 million of which R3.1 million relate to operating budget and the rest i.e. Upgrade of South Port Beach and Infrastructure Airport relate to Capital budget based on the revised Government gazette received from Provincial Treasury and these grants are detailed below:

4.3.1 Revised allocations

Details	Original Budget	Change	Adjusted Budget
Municipal excellence awards	-	1,000,000	1,000,000
Women 's Golf Legacy Project Challenges	-	250,000	250,000
KZN Arts and Culture -Museum Subsidy	286,000	282,000	568,000
KZN Arts and Culture -Library services	594,000	120,000	714,000
KZN Human Settlements -Operational costs grant	-	1,477,000	1,477,000
Ugrade of South Port Beach	-	300,000	300,000
Infrastructure Airports- Margate Airport	-	2,288,000	2,288,000
	880,000	5,717,000	6,597,000

- Other revenue has been increased by R1.7 million and this increased can be attributed to town planning related YTD revenue that had already exceeded the budget for the period end 31 December 2013 by 111 per cent therefore an upwards adjustment was required.

4.3.2 Adjusted revenue per department

The following tables below indicate the revenue increases for the department and the reasons thereof:

Community Services			
Details	Original Budget	Adjusted Budget	Increase(D ecrease)
Revenue			
Museum Susbisdy	286,000	568,000	282,000
Library Services	594,714	714,000	119,286
Agency Services-Licencing	3,960,000	4,300,000	340,000
	4,840,714	5,582,000	741,286

The revenue for the department of community services has been increased by R0.7 million as results of the revised allocation received from Provincial Treasury.

Agency services has been increased by R0.3 million based on the YTD actual revenue as per Mid-Year Budget assessment results.

Planning and Economic Development				
	Original Budget	YTD Actual	Adjusted Budget	Increase(D ecrease)
Revenue				
Women'S Golf Legacy Project Challenges	-	-	250,000	250,000
Town Planning-Rezoning	79,875	155,171	200,000	120,125
Rezoning Appeal Fee	12,887	-	-	(12,887)
Town Planning-Sub Division	35,000	41,941	80,000	45,000
Developer'S Fund	1,500	1,039,090	1,500,000	1,498,500
Total Revenue	129,262	1,236,202	2,030,000	1,900,739

The revenue for the Planning and Economic development has been increased by R1.9 million as a result of the YTD figures which indicates that we under-budgeted for these revenue line items during the original budget process.

Human Settlements and Infrastructure			
	Original Budget	Adjusted Budget	Increase(Decrease)
Operational Cost Grant	-	1,477,000	1,477,000
		1,477,000	1,477,000

The revenue for Human Settlements and Infrastructure has been increased by R1.4 million as a result of the revised government gazette received from the Provincial Treasury.

4.4 Expenditure by Type

Hibiscus Coast - Adjustment Budget - Financial Performance -Expenditure by Type				
Description	Budget Year 2013/14			Adjusted Budget
	Original Budget	Other Adjusts.	Total Adjusts.	
R thousands				
<u>Expenditure By Type</u>				
Employee related costs	265,522	(291)	(291)	265,231
Remuneration of councillors	17,708	-	-	17,708
Depreciation & asset impairment	48,440	-	-	48,440
Finance charges	6,998	(302)	(302)	6,696
Bulk purchases	64,496	-	-	64,496
Repairs and maintenance	38,244	428	428	38,672
Contracted services	26,365	2,025	2,025	28,390
Transfers and grants	4,036	-	-	4,036
Other expenditure	121,194	3,403	3,403	124,596
Total Expenditure	593,003	5,263	5,263	598,266

Expenditure by Type

The operating expenditure budget has been increased by R5.2million from R593 to R598 million and the R5.2 million increases can be accounted for as follows by the departments:

4.4.1 Detailed Adjusted Budget per Department

Department	Original Budget	Adjusted Budget	Increase(Decrease)
R thousands			
Community Services	44,034	46,702	2,668
Treasury	9,373	7,029	(2,344)
Planning and Economic Development	3,519	4,323	803
Corporate Services	5,078	6,597	1,518
Strategic Planning and Governance	15,530	17,594	2,064
Human Settlements and Infrastructure	17,927	18,481	553
	95,462	100,725	5,263

4.4.2 Community Services

Details	Vote	Original Budget	Adjusted Budget	Increase(Decrease)
R thousands				
Operational Costs				
Subsistence And Travelling	094	30	65	35
Transportation Costs	094	10	–	(10)
Inkundla Festival And Fashion Show	094	150	180	30
Conference Fees	100	6	–	(6)
Subsistence And Travelling	100	9	69	60
Outreach Programmes	100	100	130	30
Salaries - Temporary	100	618	368	(250)
Conference Fees	100	7	–	(7)
Stores & Materials	100	72	92	20
Subsistence And Travelling	100	33	93	60
Development Of Cultural Programs	100	137	187	50
Stores & Materials	128	63	83	20
Nightshift Allowance	242	126	96	(30)
Travel Allowance	242	200	50	(150)

Salaries - Tempory	242	100	50	(50)
Medical Aid Contribution	242	518	318	(200)
Refuse Site Disposal Charges	242	4,380	4,880	500
Portable Toilet Hire	242	–	18	18
Stores & Materials	242	20	320	300
Subsistence And Travelling	242	15	20	5
Overtime	258	250	350	100
Medical Aid Contribution	258	469	219	(250)
Contract - Services (Weekend Cleansing)	258	1,371	1,671	300
Salaries - Basic	272	3,155	4,048	892
Allowance - Acting	272	25	–	(25)
Bonus	272	263	313	50
Overtime	272	25	50	25
Transport - Allowance	272	265	315	50
Industrial Council Contributio	272	2	6	4
Medical Aid Contribution	272	365	215	(150)
Pension Fund Contributions	272	638	838	200
U.I.F Contribution	272	35	65	30
Uniforms/Protective Clothing	272	203	103	(100)
Contract - Services (Beach Cleaning)	272	1,554	2,054	500
Stores & Materials	272	396	96	(300)
Maintenance ofBeaches	272	213	1,213	1,000
Beaches Sampling (Water - H2O)	272	221	265	45
Salaries - Tempory	280	90	45	(45)
First Aid Equipment	280	5	–	(5)
Stationery & Printing	280	4	–	(4)
Stores & Materials	280	11	–	(11)
Allowance - Acting	354	200	50	(150)
Night Shift Allowance	354	283	183	(100)
Overtime	354	2,500	2,000	(500)
Seasonal Staff (Pay/ Display)	354	106	166	60
Lollipop	354	427	477	50
Standby - Allowance	354	340	440	100
Uniforms/Protective Clothing	354	237	137	(100)
Process Of Summonses	354	500	150	(350)
Stationery & Printing	354	62	72	10
Stores & Materials	354	11	16	5
Subscriptions	354	16	21	5

Subsistence And Travelling	354	45	75	30
Vehicle Running Costs - Repairs & Servicing	354	700	950	250
Night Shift Allowance	380	472	322	(150)
Radio Licences	380	78	83	5
Fire Services Model	380	200	–	(200)
Uniforms/Protective Clothing	380	395	245	(150)
Fire Equipment	380	417	67	(350)
Fire Hydrants	380	749	949	200
R&M Radio Equipment	380	40	60	20
Vehicle Running Costs - Fuel	380	1,200	1,300	100
Allowance - Acting	390	200	50	(150)
Night Shift Allowance	390	439	239	(200)
Salaries - Seasonal	390	110	360	250
Standby - Allowance	390		100	100
Transport - Allowance	390	198	148	(50)
Maintenance Agreements	390	150	50	(100)
Rents & Leases	390	1,300	1,000	(300)
Overtime	391	–	60	60
Security Monitoring Charges	391	6,500	6,800	300
Overtime	400	230	295	65
Salaries - Tempory	400	707	507	(200)
Levy - Sabs	400	25	17	(8)
Stationery & Printing	400	63	73	10
Subsistence And Travelling	434	21	36	15
Nightshift Allowance	450	27	107	80
Contracts - Verg Cutting	450	7,063	8,113	1,050
Plant Hire	450	100	180	80
Stores & Materials	450	422	472	50
Uniforms/Protective Clothing	450	647	447	(200)
Petrol/Oil - Mowers	450	350	450	100
R&M Plant & Equipment Mowers	450	350	550	200
		44,034	46,702	2,668

The Adjustment budget for the community services has been increased by R2.6 million .It must be noted that the department did not have much savings except the revenue increase R0.7 million , the savings from other departments eg Treasury have contributed to the adjusted budget of R2.6 million.

4.4.3 Treasury

R thousands	Original Budget	Adjusted Budget	Increase(Decrease)
<u>Operational Costs</u>			
Conference Fees	54	82	28
Legal Fees	350	155	(195)
Postage Statements	1,800	1,400	(400)
Professional Fees	4,500	4,000	(500)
Subsistence and Travelling	169	250	81
Valuation fees	2,500	1,141	(1,359)
Uniforms and Protective Clothing	-	2	2
	9,373	7,029	(2,344)

The original budget for the treasury has been reduced by R2 .3 million as a result of the savings from other votes and no additional budget was required.

4.4.4 Planning and Economic Development

Details	Vote	Original Budget	Adjusted Budget	Increase(D decrease)
R thousands				
<u>Operational Costs</u>				
Poverty Alleviation Projects	016	200	400	200
Rents & Leases	016	6	12	6
Subsistence And Travelling	016	100	125	25
Local Economic Development	016	500	700	200
Women'S Golf Legacy Project Challenges	016	-	250	250
Overtime	017	-	14	14
Lums	017	100	340	240
Professional Fees	017	71	250	179
Rents & Leases	017	66	25	(41)
Subsistence And Travelling	017	79	104	25
Strategic Env Assessment	017	500	400	(100)
Copy Charges	017	3	8	5
Salaries - Basic	520	826	326	(500)
Bonus	520	69	39	(30)
Overtime	520	-	210	210
Salaries - Temporary	520	-	420	420
Airport Jet Fuel	520	1,000	700	(300)
		3,519	4,323	803

The budget for Planning and Economic Development has been increased by R0.8 million although the department did not have savings on their budget there has been an increase in the town planning related revenue as per the above tables under revenue section.

4.4.5 Corporate Services

Details	Vote	Original Budget	Adjusted Budget	Increase(D ecrease)
R thousands				
<u>Operational Costs</u>				
Allowance - Telephone	083	8	160	152
Salaries - Tempory	083	205	160	(45)
Postages	083	400	600	200
Professional Fees	083	250	450	200
Stationery & Printing	083	170	220	50
Stores & Materials	083	40	55	15
Copy Charges	083	165	215	50
Allowance - Telephone	091	–	8	8
Bonus	091	160	70	(90)
Transport - Allowance	091	200	120	(80)
Medical Aid Contribution	091	191	101	(90)
Pension Fund Contributions	091	308	258	(50)
Maintenance Agreements	091	350	675	325
Licences	091	850	1,040	190
Management Contract	160	896	596	(300)
Transport - Allowance	160	30	130	100
Pension Fund Contributions	160	455	730	275
In-Servicetraining And Internship	160	400	510	110
Skills Audit		–	500	500
		5,078	6,597	1,518

The adjusted budget for Corporate Services has been increased by R1.5 million.

4.4.6 Strategic Planning and Governance

	Vote	Original Budget	Adjusted Budget	Increase(Decrease)
R thousands				
<u>Operational Costs</u>				
Budget & IDP Roadshows	010	450	510	60
Functions - Mayor & Dep Mayor	010	180	280	100
Refreshments	010	179	254	75
Staff Year End Function	010	100	115	15
People'S Council	010	50	100	50
Subscriptions	010	1,992	2,800	808
Back To School Campaign	010	500	516	16
Mayoral Slot(Radio Broadcast)	010	200	350	150
Vehicle Running Costs	010	300	150	(150)
Interest - External Loans	010	6,998	6,648	(350)
Redemption - External Loans	010	–	48	48
Municipal Awards Excellence	014	–	1,000	1,000
Bonus	014	328	228	(100)
Salaries - Tempory	014	221	135	(86)
Computer Systems (Website Costs)	014	50	85	35
Disabled Empowerment	014	300	200	(100)
Professional Fees	014	300	400	100
Stationery & Printing	014	53	73	20
Subsistence And Travelling	014	148	198	50
Youth Empowermnt	014	1,000	1,100	100
Senior Citizen	014	200	211	11
Gender Empowerement	014	400	500	100
Support For Lac Meetings	014	–	11	11
Farm Workers	014	50	25	(25)
Hiv/Aids Strategy	014	75	100	25
Subsistence And Travelling	050	43	63	20
Salaries - Basic	081	355	605	250
Industrial Council Contributio	081	0	1	1
Salaries- Ground Breakers	228	324	174	(150)
Pension Fund Contributions	228	625	425	(200)
Professional Fees	228	110	210	100
Medication-Wellness	228	–	80	80
		15,530	17,594	2,064

4.4.7 Human Settlements and Infrastructure

R thousands	Vote	Original Budget	Adjusted Budget	Increase(D ecrease)
<u>Operational Costs</u>				
Salaries - Temporary	020	–	200	200
Overtime	700	500	100	(400)
Chemicals And Pesticides	700	528	600	72
Plant Hire	700	2,000	2,431	431
Rents & Leases	700	1,331	1,200	(131)
Street Signs	700	300	400	100
Vehicle Running Costs	700	3,925	3,945	20
Repairs and Maintenance	700	60	88	28
Safety Equipment	700	100	50	(50)
Stores & Materials	700	300	200	(100)
Uniforms/Protective Clothing	700	264	214	(50)
Potholes - External	700	6,500	7,087	587
Professional Fees	730	542	195	(347)
Overtime	730	250	99	(151)
Transport - Allowance	732	–	70	70
Protective Clothing	732	60	86	26
High Mast Maintenance	732	200	350	150
Professional Fees	732	63	35	(28)
Overtime	734	150	135	(15)
Subsistence And Travelling	734	10	20	10
Fix and Move Metres	734	100	99	(2)
Street Light Repairs	734	639	798	159
Traffic Lights	734	106	80	(26)
		17,927	18,481	553

The budget for the Human Settlements and Infrastructure has been increased by R0.5 million.

4.5 Capital Expenditure

Hibiscus Coast - Adjustment Budget -Capital Expenditure by Cluster			
Description	Budget Year 2013/14		
	Original Budget	Adjustments	Adjusted Budget
R thousands			
Cluster 1 Capital projects	12,513	1,646	14,159
Cluster 2 Capital projects	28,360	(8,494)	19,866
Cluster 3 Capital projects	22,729	(7,911)	14,817
Cluster 4 Capital projects	3,904	(148)	3,756
Cluster 5 Capital projects	10,317	6,499	16,816
Cluster 6 Capital projects	20,338	(5,949)	14,389
Cluster 7 Capital projects	7,796	3,562	11,358
Departmental capital	7,100	–	7,100
Municipal wide projects	26,466	412	26,878
Total Capital projects	139,521	(10,383)	129,139

The table above indicated the capital expenditure by cluster and the changes to the capital budget from R139 to R129 million .The changes can be attributed as follows and refer to Annexure 2 for the detailed capital budget:

- Housing is reduced from R51.3 to R 34 Million due to the following reasons:
 - Implementing Agents are to be paid directly by the Department of Human Settlements KZN (KwaMadlala Rural, Albersville, Bhobhoyi Phase 2).
 - Poor performance by the appointed Service Provider lead to some targets being reviewed.
 - It be further noted that some projects where there has been a delay in the approval by the KZN Department of Housing, the budget is reviewed downward, thus the project will also be funded in 2014/15 (multi year project)
 - It be further noted that a project on Disaster Houses (x 20) which was completed in June 2013 had an outstanding invoice which only came late after the financial year was already closed.

- Department of Energy Grant is increased from R3 .2 to R7million due to the following reasons:
 - Need to accommodate the award values for Louisiana and GG Murchison Electrification Projects.
 - A grant of R7 million was already gazetted to HCM and required to be reported as such in term of DORA.

- COGTA Grant is increased from R0 to R5 million due to the following reasons:

- A conditional grant of R5 million was brought in through Council Resolution for Margate South Beach Promenade which included the rehabilitation of the Tidal Pool.
- Municipal Infrastructure Grant (MIG) is reduced from R39 .7 to R 36 .6 million due to the following reasons:
 - An amount of R 3.4 million (balance from the MIG Allocation) is to be transfer from Capital Budget to Operating Budget to accommodate the following Items:
 - Project Management Unit (PMU) of R1.9 million = 5% of the R40 million allocated grant
 - Chairs and Tables for Community Halls to the value of R0.5 million (R0.1 million x 4 Community Halls – Ward 24; Ward 25; Mpenjathi and Mvutshini)
 - Professional Fees for 2014/15 and MTEF Projects to the value of R1 million
 - It be further noted that some projects where there has been a delay in the appointment of Contractor, the budget is reviewed downward, thus the project will also be funded in 2014/15 (multi-year project)
 - It be further noted that some incomplete projects from previous financial year were brought in to be completed and close out.
 - It be further noted that some projects were completed in June 2013 and thus declare Savings on the budget.
- Internal (Inclusive of External Loan)is reduced by an amount of R 0.2 million.

4.5.1 Funding Sources

Hibiscus Coast - Adjustments Capital Expenditure Budget by funding -				
Description	Budget Year 2012/13			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Funded by:				
National Government	42,997	684	684	43,681
Provincial Government	51,363	(11,956)	(11,956)	39,407
Total Capital transfers recognised	94,360	(11,272)	(11,272)	83,088
Internally generated funds	45,161	889	889	46,050
Total Capital Funding	139,521	(10,383)	(10,383)	129,138

As per table above the most of the capital budget is funded by internally generated funds followed by National and provincial government grants.

5. Adjustment Budget Tables

5.1 Statement of Financial Performance by revenue and expenditure

Hibiscus Coast - Adjustment Budget -Financial Performance -Revenue & Expenditure				
Description	Budget Year 2013/14			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Revenue By Source				
Property rates	289,374	–	–	289,374
Service charges - electricity revenue	93,383	–	–	93,383
Service charges - refuse revenue	49,331	–	–	49,331
Rental of facilities and equipment	2,414	–	–	2,414
Interest earned - external investments	5,525	–	–	5,525
Interest earned - outstanding debtors	9,488	–	–	9,488
Fines	9,904	–	–	9,904
Licences and permits	6,435	–	–	6,435
Agency services	3,960	340	340	4,300
Transfers recognised - operating	111,786	3,129	3,129	114,915
Other revenue	11,403	1,794	1,794	13,197
Total Revenue	593,003	5,263	5,263	598,266
Expenditure By Type				
Employee related costs	265,522	(291)	(291)	265,231
Remuneration of councillors	17,708	–	–	17,708
Depreciation & asset impairment	48,440	–	–	48,440
Finance charges	6,998	(302)	(302)	6,696
Bulk purchases	64,496	–	–	64,496
Repairs and maintenance	38,244	428	428	38,672
Contracted services	26,365	2,025	2,025	28,390
Transfers and grants	4,036	–	–	4,036
Other expenditure	121,194	3,403	3,403	124,596
Total Expenditure	593,003	5,263	5,263	598,266
Surplus/ (Deficit) for the year	–	–	–	–

This table provides an overview of the Adjustment Budget of revenue by source and expenditure by type.

5.2. Statement of Financial Performance by Standard Classification

Hibiscus Coast - Adjustments Budget Financial Performance (standard classification)

Standard Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
Revenue - Standard						
<i>Governance and administration</i>	406,324	1,306	1,306	407,630	432,088	458,013
Executive and council	93,490	1,250	1,250	94,740	100,424	106,450
Budget and treasury office	308,990	56	56	309,046	327,589	347,244
Corporate services	3,844	–	–	3,844	4,075	4,319
<i>Community and public safety</i>	12,687	1,879	1,879	14,566	15,428	16,366
Community and social services	8,770	402	402	9,172	9,722	10,306
Public safety	6	–	–	6	6	7
Housing	3,900	1,477	1,477	5,377	5,700	6,042
Health	11	–	–	11	12	12
<i>Economic and environmental services</i>	27,110	1,991	1,991	29,101	30,847	32,698
Planning and development	6,097	1,651	1,651	7,748	8,213	8,705
Road transport	21,013	340	340	21,353	22,634	23,992
<i>Trading services</i>	142,729	–	–	142,729	151,293	160,370
Electricity	93,383	–	–	93,383	98,986	104,925
Waste management	49,346	–	–	49,346	52,307	55,445
<i>Other</i>	4,153	87	87	4,240	4,494	4,764
Total Revenue - Standard	593,003	5,263	5,263	598,266	634,162	672,211
Expenditure - Standard						
<i>Governance and administration</i>	195,294	1,238	1,238	196,532	208,324	220,823
Executive and council	117,002	2,064	2,064	119,066	126,210	133,783
Budget and treasury office	47,409	(2,344)	(2,344)	45,065	47,769	50,635
Corporate services	30,883	1,518	1,518	32,401	34,345	36,406
<i>Community and public safety</i>	91,447	2,668	2,668	94,115	99,762	105,748
Community and social services	37,620	2,668	2,668	40,288	42,705	45,268
Public safety	42,953	–	–	42,953	45,530	48,262
Housing	5,717	–	–	5,717	6,060	6,424
Health	5,157	–	–	5,157	5,466	5,794
<i>Economic and environmental services</i>	105,431	803	803	106,234	112,608	119,365
Planning and development	28,034	803	803	28,837	30,567	32,401
Road transport	77,397	–	–	77,397	82,041	86,963
<i>Trading services</i>	196,265	553	553	201,385	213,468	221,145
Electricity	77,432	553	553	77,985	82,664	87,624
Waste management	118,833	–	–	118,833	125,963	133,521
<i>Other</i>	4,566	1	1	4,567	4,841	5,131
Total Expenditure - Standard	593,003	5,263	5,263	598,266	634,162	672,212
Surplus/ (Deficit) for the year						

5.3. Statement of Financial Performance by Vote

Hibiscus Coast - Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -						
Vote Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
Revenue by Vote						
Vote 1 - Treasury	308,990	56	56	309,046	327,589	347,244
Vote 2 - Corporate Services	3,844	-	-	3,844	4,075	4,319
Vote 3 - Strategic Planning and Governance	93,490	1,250	1,250	94,740	100,424	106,450
Vote 4 - Human Settlements	118,296	1,477	1,477	119,773	126,959	134,577
Vote 5 - Planning and Economic Development	6,097	1,900	1,900	7,997	8,477	8,985
Vote 6 - Community Services	62,286	580	580	62,866	66,638	70,636
Total Revenue by Vote	593,003	5,263	5,263	598,266	634,162	672,212
Expenditure by Vote						
Vote 1 - Treasury	47,409	(2,344)	(2,344)	45,065	47,769	50,635
Vote 2 - Corporate Services	30,883	1,518	1,518	32,401	34,345	36,406
Vote 3 - Strategic Planning and Governance	117,002	2,064	2,064	119,066	126,210	133,783
Vote 4 - Human Settlements	160,546	553	553	161,099	170,765	181,011
Vote 5 - Planning and Economic Development	28,034	803	803	28,837	30,567	32,401
Vote 6 - Community Services	209,129	2,669	2,669	211,798	224,506	237,976
Total Expenditure by Vote	593,003	5,263	5,263	598,266	634,162	672,212
Surplus/ (Deficit) for the year	-	-	-	-	0	(0)

This table provides an overview of the original and adjustment budget by Council's departmental structure.

5.4. Statement of Financial Position

Hibiscus Coast - Adjustments Budget Financial Position -						
Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	A	F	G	H		
ASSETS						
Current assets						
Cash	8,500	–	–	8,500	9,010	9,551
Call investment deposits	151,798	–	–	151,798	160,906	170,560
Consumer debtors	99,698	–	–	99,698	105,680	112,021
Other debtors	5,289	–	–	5,289	5,606	5,943
Current portion of long-term receivables	1,765	–	–	1,765	1,871	1,983
Inventory	2,415	–	–	2,415	2,560	2,713
Total current assets	269,465	–	–	269,465	285,633	302,771
Non current assets						
Long-term receivables	12,752	–	–	12,752	13,517	14,328
Investment property	275,203	–	–	275,203	291,715	309,218
Property, plant and equipment	532,775	–	–	532,775	564,742	598,626
Intangible	560	–	–	560	594	629
Total non current assets	821,290	–	–	821,290	870,567	922,801
TOTAL ASSETS	1,090,755	–	–	1,090,755	1,156,200	1,225,572
LIABILITIES						
Current liabilities						
Borrowing	8,860	–	–	8,860	9,392	9,955
Consumer deposits	16,219	–	–	16,219	17,192	18,224
Trade and other payables	87,500	–	–	87,500	92,750	98,315
Provisions	28,479	–	–	28,479	30,188	31,999
Total current liabilities	141,058	–	–	141,058	149,521	158,493
Non current liabilities						
Borrowing	62,077	–	–	62,077	65,802	69,750
Provisions	17,045	–	–	17,045	18,068	19,152
Total non current liabilities	79,122	–	–	79,122	83,869	88,901
TOTAL LIABILITIES	220,180	–	–	220,180	233,391	247,394
NET ASSETS	870,575	–	–	870,575	922,810	978,178
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)	473,427	–	–	473,427	501,833	531,943
Reserves	397,148	–	–	397,148	420,977	446,235
TOTAL COMMUNITY WEALTH/EQUITY	870,575	–	–	870,575	922,810	978,178

5.5 Adjustment budget Cash flow

KZN216 Hibiscus Coast - Adjustments Budget Cash Flows -						
Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Ratepayers and other	449,267	2,134	2,134	451,401	478,485	507,194
Government - operating	170,149	(55,234)	(55,234)	114,915	121,810	129,118
Government - capital	40,173	–	–	40,173	42,583	45,138
Interest	14,682	–	–	14,682	15,563	16,497
Payments						
Suppliers and employees	(554,370)	(4,961)	(4,961)	(559,331)	(592,891)	(628,464)
Finance charges	(6,998)	302	302	(6,696)	(7,098)	(7,524)
Transfers and Grants	(4,036)	–	–	(4,036)	(4,278)	(4,535)
NET CASH FROM/(USED) OPERATING ACTIVITIES	108,867	(57,759)	(57,759)	51,108	54,174	57,425
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Decrease (Increase) in non-current debtors	1,500	–	–	1,500	1,590	1,685
Decrease (increase) other non-current receivables	1,200	–	–	1,200	1,272	1,348
Payments						
Capital assets	(132,545)	42,245	42,245	(90,300)	(95,718)	(101,461)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(129,845)	42,245	42,245	(87,600)	(92,856)	(98,427)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Increase (decrease) in consumer deposits	846	–	–	846	897	951
Payments						
Repayment of borrowing	(6,878)	1,560	1,560	(5,318)	(5,637)	(5,975)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6,032)	1,560	1,560	(4,472)	(4,740)	(5,024)
NET INCREASE/ (DECREASE) IN CASH HELD	(27,010)	(13,954)	(13,954)	(40,964)	(43,421)	(46,027)
Cash/cash equivalents at the year begin:	143,627			201,262	213,337	226,138
Cash/cash equivalents at the year end:	116,617			160,298	169,916	180,111

5.6. Grants and Subsidies

Hibiscus Coast - Supporting Table Adjustments Budget - transfers and grant receipts -						
Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
RECEIPTS:						
Operating Transfers and Grants						
National Government:	99,314			99,314	105,273	111,589
Equitable Share	92,600	–	–	92,600	98,156	104,045
Finance Management Grant	1,550	–	–	1,550	1,643	1,742
Expanded Public Works Programme	1,000	–	–	1,000	1,060	1,124
Municipal Systems Improvement Grant	890	–	–	890	943	1,000
Department of Energy	3,274	–	–	3,274	3,470	3,679
Provincial Government:	12,614	3,129	3,129	15,743	16,688	17,689
KZN COGTA	5,000	–	–	5,000	5,300	5,618
KZN Arts and Culture	7,464	402	402	7,866	8,338	8,838
KZN Sports and Recreation	150	–	–	150	159	169
KZN COGTA: Municipal Excellence Awards	–	1,000	1,000	1,000	1,060	1,124
Women's Golf Legacy Projects Challenges	–	250	250	250	265	281
KZN Human Settlements-Operational costs	–	1,477	1,477	1,477	1,566	1,660
Total Operating Transfers and Grants	111,928	3,129	3,129	115,057	121,960	129,278
Capital Transfers and Grants						
National Government:	40,173	–	–	40,173	42,583	45,138
Municipal Infrastructure Grant (MIG)	40,173	–	–	40,173	42,583	45,138
Provincial Government:	–	2,588	2,588	2,588	2,743	2,908
Upgrade of South Port Beach	–	300	300	300	318	337
Infrastructure Airports-Margate Airport	–	2,288	2,288	2,288	2,425	2,571
Total Capital Transfers and Grants	40,173	2,588	2,588	42,761	45,327	48,046
TOTAL RECEIPTS OF TRANSFERS & GRANTS	152,101	5,717	5,717	157,818	167,287	177,324

5.7. Employee benefits and Councilors

Hibiscus Coast - Supporting Table - Adjustments Budget - councillor and staff benefits				
Summary of remuneration	Budget Year 2013/14			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Councillors (Political Office Bearers plus Other)				
Salary	16,565	–	–	16,565
Other benefits or allowances	1,144	–	–	1,144
Sub Total - Councillors	17,709	–	–	17,709
Senior Managers of the Municipality				
Salary and other allowances	6,592	–	–	6,592
Sub Total - Senior Managers of Municipality	6,592	–	–	6,592
Other Municipal Staff				
Basic Salaries and Wages	175,045	–	–	175,045
Pension and UIF Contributions	33,234	–	–	33,234
Medical Aid Contributions	12,458	–	–	12,458
Motor vehicle	7,770	–	–	7,770
Cell phone allowance	495	–	–	495
Housing allowance	1,220	–	–	1,220
Overtime	10,095	–	–	10,095
Bonus	13,210	–	–	13,210
Other benefits or allowances	5,402	(291)	(291)	5,111
Sub Total - Other Municipal Staff	258,929	(291)	(291)	258,638
Total Parent Municipality	265,521	(291)	(291)	265,230
TOTAL MANAGERS AND STAFF	283,230			282,939

6. QUALITY CERTIFICATE

I, Maxwell Sihle Mbili, the Municipal Manager of the Hibiscus Coast Municipality, hereby certify that the Proposed Adjustment Budget 2013-2014 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and Regulations made under the Act, and that the Draft Adjustment Budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

.....
SM Mbili (Municipal manager)
Hibiscus Coast Municipality