

ADJUSTMENTS BUDGET OF

KOUGA LOCAL MUNICIPALITY



2014/15 TO 2016/17
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

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Abbreviations and acronyms

MTREF	Medium Term Revenue and Expenditure Framework
MFMA	Municipal Finance Management Act
MBRR	Municipal Budget and Reporting Regulations
EPWP	Expanded Public Works Programme
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Programme

1. Overview

As at 30 June 2014, the municipality had unspent grants to an amount of R 11,235,323.00 (MIG R 10,244,540 and INEP R 990,783) disclosed on the Audited Annual Financial Statements for the financial year ended 30 June 2014. The municipality applied to National Treasury for the rollover of the funds unspent as at 30 June 2014 and the application was granted.

The 2014/2015 MTREF was approved by Council on 30 May 2014 in accordance with Section 24(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and applicable National Treasury finance management reform requirements.

Section 72 of the MFMA stipulates that the Accounting Officer must by 25 January assess the performance of the municipality during the first half of the financial year. Section 72(3), read with section 54(1) (f) & section 54(2) stipulates that as part of the performance assessment of the municipality during the first half of the financial year, the Accounting Officer must make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure, to the extent that it may be necessary.

The Mid-year budget review report to be considered by Council indicated the necessity for tabling an Adjustments Budget for the 2014/2015 financial year for inter alia, the following:

- To adjust the capital and operating budget in line with the realistic revenue.
- To facilitate the inclusion of rolled over grant funding.

In terms of Section 28 of the MFMA a municipality may revise an approved annual budget through an adjustments budget. It is important to note that the adjustments budget is not a re-budgeting process, thus fiscal discipline must be adhered to at all times. Only the Mayor may table an adjustments budget in the municipal council and it may only be tabled within prescribed limitations as to timing or frequency. In terms of the MBRR, only one adjustments budget may be tabled in Council during the financial year, after tabling of the mid-year budget and performance assessment, but not later than 28 February.

It has been agreed upon by management on the letter dated 23 December 2014 from the office of the Accounting Officer not to increase the capital and the operating budget, except the increase on capital and operating budget is due to additional grant funding. The departments were advised to assess their mid-year performance against the strategic objectives of council and thereafter redirect their budgets to the prioritised service delivery areas.

The over-time budget was cut by R 3.4 million and fuel & oil budget cut by R 1 million in order to address the service delivery projects identified by Council on the 2nd of December 2014.

The following table summarises the outcomes of the 2014/2015 Adjustments Budget:

Table 1: Overall overview of the 2014/2015 Adjustments Budget

Description	Original Budget 2014/2015	Adjusted Budget 2014/2015	Budget 2015/2016	Budget 2016/2017
	R'000	R'000	R'000	R'000
Total Operating Revenue	619,064	621,907	655,490	690,887
Total Operating Expenditure	696,535	697,644	735,317	775,024
Surplus/Deficit for the year	(77,471)	(75,737)	(79,827)	(84,137)
Total Capital Expenditure	36,231	47,197	49,745	52,431

The Council approved the original operating revenue to the amount of R 619,064 million which has been increased with R 2,843 million to R 621,907 million (0.459% increase). Furthermore the total operating expenditure of R 696,535 million was increased with an amount of R 1,109 million to R 697,644 million (0.159% increase).

The following main changes were affected with regard to the Operating Budget when compared to the Original Budget:

Property rates revenue increase – R 121 thousand (Due to decrease in property rates: rebates)
 Sewerage revenue increase - R 2,041 million
 Refuse revenue increase – R 157 thousand
 Environmental management fees increase – R 1,107 million
 Other revenue decrease by the net amount of R 583 thousand
 Employee costs decrease – R 1,325 million (net cut on overtime)
 Remuneration of councillors' increase – R 48 thousand
 Finance costs increase – R 369 thousand
 Other expenditure increase R 2,017 million

The municipality requested for roll-over of the unspent conditional grants and approval was granted. The following capital roll-over requests were therefore included in the 2014/2015 Adjustments Budget:

Municipal Infrastructure Grant (MIG) – R 10,245 million
 Intergrated National Electrification Programme (INEP) – R 991 thousand

The total capital expenditure was increased by R 10,966 million from R 36,231 million to R 47,197 million (30.27% increase). The capital expenditure adjustment is attributed to the capital conditional grants roll-over of R 9,235 million (roll-over INEP = R 991 thousand actual rollover – R 2 million budgeted roll-over + MIG rollover of R 10,245 million) and R 1,731 million (internally funded) furniture and equipment.

2. Resolutions

- i) That the Council of Kouga Local Municipality, hereby acting in terms of section 28 of the Municipal Finance Management Act, (Act 56 of 2003) and section 23 of the MBRR hereby approves and adopts:
 - a) The Revised Annual Budget of the Kouga Municipality for the financial year 2014/15 as set out in the following adjustments budget tables:
 - i. Table B1 Adjustments Budget Summary;
 - ii. Table B2 Adjustments Budget Financial Performance (standard classification);
 - iii. Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote);
 - iv. Table B4 Adjustments Financial Performance (revenue and expenditure);
 - v. Table B5 Adjustments Capital Expenditure Budget by vote and funding;
 - vi. Table B6 Adjustments Budget Financial Position;
 - vii. Table B7 Adjustments Budget Cash Flows;
 - viii. Table B8 Cash backed reserves/accumulated surplus reconciliation;
 - ix. Table B9 Asset Management; and
 - x. Table B10 Basic service delivery measurement.

3. Executive Summary

The adjustments Budget was prepared in terms of the guidelines contained in Section 28(2) of the MFMA and furthermore ensures that the Kouga local municipality continues to deliver on its core mandate and identified priorities and principles, achieve its developmental goals and entails prioritising all available resources towards essential services and contractual financial commitments.

In general, the aim with the compilation of the 2014/2015 Adjustments Budget is to align the expenditure to the revenue and ensure that the budget is funded. The directors/section managers need to apply belt tightening measures by reprioritising and down scaling of i.e. non-core functions to uphold service delivery towards core functions on a sustainable level.

The under mentioned principles gave guidance to the compilation of the 2014/2015 Adjustments Budget:

- The budget must be funded in terms of the funding compliance procedure set out in MFMA Circular 42, and the Funding Compliance Guidelines.
- Affordability within the context of sustainability must be considered and maintained.
- No additional funding capacity is available on the budget therefore no additional funding requests will be accommodated during the Adjustments Budget process (will be considered during the compilation of the 2015/2016 MTREF).
- Funding will only be considered subject to:
 - i. Additional revenue
 - ii. Savings identified in other programme and projects.
 - iii. Grants to be received from an external source.
- Overtime and fuel & oil to be managed within the available resources.
- Repairs and Maintenance should not be compromised
- Departments need to concentrate on core functions, proactively review and reprioritize their budget and identify savings that can be affected during the Adjustments Budget process to assist with the municipality's financial position.
- All grant allocations must be spent according to the terms and conditions of the grant.

The only big new funding on this Adjustments Budget was the Council prioritised service delivery projects identified and discussed on the council meeting held in Jeffrey's bay council chambers on the 02 December 2014 amounting to R 3.5 million.

Operating Budget

The following table reflects the approved 2014/2015 MTREF, the proposed 2014/2015 Adjustments Budget (Revenue by source) and the subsequent outer years:

Table 2: Adjustments Budget Financial Performance (revenue and expenditure)

Description	Ref	Budget Year 2014/15									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 2015/16	+2 2016/17
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	141 166	-	-	-	-	-	121	121	141 287	148 916	156 958
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	217 206	-	-	-	-	-	0	0	217 206	228 935	241 297
Service charges - water revenue	2	57 153	-	-	-	-	-	0	0	57 153	60 239	63 492
Service charges - sanitation revenue	2	33 006	-	-	-	-	-	2 041	2 041	35 047	36 939	38 934
Service charges - refuse revenue	2	34 630	-	-	-	-	-	157	157	34 787	36 665	38 645
Service charges - other		13 602	-	-	-	-	-	1 108	1 108	14 709	15 504	16 341
Rental of facilities and equipment		781	-	-	-	-	-	358	358	1 139	1 200	1 265
Interest earned - external investments		886	-	-	-	-	-	704	704	1 591	1 677	1 767
Interest earned - outstanding debtors		4 815	-	-	-	-	-	(1 362)	(1 362)	3 453	3 639	3 836
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines		8 094	-	-	-	-	-	87	87	8 181	8 623	9 088
Licences and permits		7 249	-	-	-	-	-	(1 136)	(1 136)	6 112	6 442	6 790
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operating		87 847	-	-	-	-	-	18	18	87 865	92 609	97 610
Other revenue	2	12 630	-	-	-	-	-	749	749	13 379	14 102	14 863
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		619 064	-	-	-	-	-	2 843	2 843	621 907	655 490	690 887
Expenditure By Type												
Employee related costs		202 775	-	-	-	-	-	(1 325)	(1 325)	201 450	212 329	223 794
Remuneration of councillors		10 911	-	-	-	-	-	48	48	10 959	11 551	12 175
Debt impairment		49 683	-	-	-	-	-	(0)	(0)	49 683	52 366	55 194
Depreciation & asset impairment		80 358	-	-	-	-	-	0	0	80 358	84 697	89 271
Finance charges		18 333	-	-	-	-	-	369	369	18 702	19 712	20 777
Bulk purchases		190 711	-	-	-	-	-	-	-	190 711	201 009	211 863
Other materials		-	-	-	-	-	-	-	-	-	-	-
Contracted services		11 260	-	-	-	-	-	(1 341)	(1 341)	9 919	10 455	11 020
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-
Other expenditure		132 503	-	-	-	-	-	3 359	3 359	135 862	143 198	150 931
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		696 535	-	-	-	-	-	1 109	1 109	697 644	735 317	775 024
Surplus/(Deficit)		(77 471)	-	-	-	-	-	1 734	1 734	(75 737)	(79 827)	(84 137)
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-
Contributions		-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation		(77 471)	-	-	-	-	-	1 734	1 734	(75 737)	(79 827)	(84 137)
Taxation		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(77 471)	-	-	-	-	-	1 734	1 734	(75 737)	(79 827)	(84 137)
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(77 471)	-	-	-	-	-	1 734	1 734	(75 737)	(79 827)	(84 137)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		(77 471)	-	-	-	-	-	1 734	1 734	(75 737)	(79 827)	(84 137)

The Council approved the original operating revenue to the amount of R 619,064 million which has been increased with R 2,843 million to R 621,907 million (0.459% increase). Furthermore the total operating expenditure of R 696,535 million was increased with an amount of R 1,109 million to R 697,644 million (0.159% increase).

Capital Budget

The following table reflects the approved 2014/2015 MTREF, the proposed 2014/2015 Adjustments Budget (Capital Budget by vote and funding) and the subsequent outer years:

Table 3: Adjustments Capital Budget by vote and funding

Description	Ref	Budget Year 2014/15									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands		5	6	7	8	9	10	11	12			
		A	A1	B	C	D	E	F	G	H		
Capital Expenditure - Standard												
<i>Governance and administration</i>		-	-	-	-	-	-	377	377	377	397	419
Executive and council								121	121	121	128	135
Budget and treasury office								153	153	153	161	170
Corporate services								103	103	103	109	114
<i>Community and public safety</i>		6 051	-	-	-	-	-	3 340	3 340	9 391	9 898	10 433
Community and social services		1 800						66	66	1 866	1 966	2 072
Sport and recreation		4 251						3 169	3 169	7 420	7 821	8 244
Public safety								60	60	60	63	67
Housing								45	45	45	48	50
Health								-	-	-	-	-
<i>Economic and environmental services</i>		2 508	-	-	-	-	-	(803)	(803)	1 705	1 797	1 894
Planning and development		1 417						(823)	(823)	594	626	660
Road transport								-	-	-	-	-
Environmental protection		1 091						20	20	1 111	1 171	1 234
<i>Trading services</i>		27 672	-	-	-	-	-	8 051	8 051	35 723	37 652	39 685
Electricity		5 000						(941)	(941)	4 059	4 278	4 509
Water								-	-	-	-	-
Waste water management		22 672						8 992	8 992	31 664	33 374	35 177
Waste management								-	-	-	-	-
Other								-	-	-	-	-
Total Capital Expenditure - Standard	3	36 231	-	-	-	-	-	10 965	10 965	47 197	49 745	52 431
Funded by:												
National Government		33 340						9 235	9 235	42 576	44 875	47 298
Provincial Government		1 800						-	-	1 800	1 897	2 000
District Municipality		1 091						-	-	1 091	1 150	1 212
Other transfers and grants								-	-	-	-	-
Total Capital transfers recognised	4	36 231	-	-	-	-	-	9 235	9 235	45 467	47 922	50 510
Public contributions & donations										-	-	-
Borrowing										-	-	-
Internally generated funds								1 730	1 730	1 730	1 823	1 922
Total Capital Funding		36 231	-	-	-	-	-	10 965	10 965	47 197	49 745	52 431

The total capital expenditure was increased by R 10,966 million from R 36,231 million to R 47,197 million (30.27% increase). The capital expenditure adjustment is attributed to the capital conditional grants roll-over of R 9,235 million (roll-over INEP = R 991 thousand actual rollover – R 2 million budgeted roll-over + MIG rollover of R 10,245 million) and R 1,731 million (internally funded) furniture and equipment.

4. Adjustments Budget Tables and Supporting Documentation

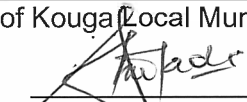
Section 21 of the MBRR stipulates that the adjustments budget and supporting documentation of a municipality must be in the format specified in **Schedule B** and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

The Schedule B has been attached as an annexure.....with the prescribed tables and supporting documentation.

5. Municipal Manager's Quality Certificate

I, FADI SIDNEY, Municipal Manager of Kouga Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name SIDNEY FADI
Municipal manager of Kouga Local Municipality (EC108)

Signature 

Date 16.02.2005