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Koukamma Municipality

OFFICE OF THE MUNICIPAL MANAGER

26 February 2015

**EXTRACT FROM MINUTES OF SPECIAL COUNCIL MEETING HELD ON 26
FEBRUARY 2015 AT TSITSIKAMMA VILLAGE INN, AT 10:00**

5.2 REPORT ON 2014 / 2015 ADJUSTMENT BUDGET

Council Meeting

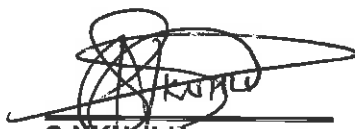
26 February 2015

26/02/2015: 01

Ref: 1/4/7

Resolved

- a. That Council approved the Adjustments Budget for the financial year 2014/15 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.
- b. That the Roll over amount of the unspent R2.13 million (Disaster) 2013/14 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 NKULU
MUNICIPAL MANAGER**

2014/15 ADJUSTMENTS BUDGET

1. PURPOSE

Is to present the following reports to Council:

1. The Adjustments Budget for the financial year 2014/15 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

2. LEGAL AND STATUTORY REQUIREMENTS

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 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 2014 was tabled in Council on the 23rd January 2015. 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.

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-*
 - a) 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.

3. **RECOMMENDATIONS**

It is recommended:

1. That the Adjustments Budget for the financial year 2014/15 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 R2.13 million (Disaster) 2013/14 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).

KOUKAMMA LOCAL MUNICIPALITY

ADJUSTMENTS
BUDGET 2014/15

2014/15



5 KEET STREET
KAREEDOUW

ADJUSTMENTS BUDGET 2014/15

Table of Contents

PART 1–ADJUSTMENTS BUDGET	2
Mayor’s Report	2
Resolutions	3
Executive Summary	3
PART 2: ADJUSTMENT BUDGET TABLES	6
Financial Performance	6
Financial Position.....	7
Capital Expenditure.....	8
Cash flow.....	9
Municipal manager’s quality certificate.....	10

ADJUSTMENTS BUDGET 2014/15

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 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 2014 was tabled in Council on the 23rd January 2015. 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.

Overall, the budgeted operating financial performance of the municipality will increase by R15, 92 million. National Treasury has issued its adjustments to the Division of Revenue Act, 2014 on 30 December 2014 which would take into account the adjustments to allocations for 2014/15 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 R2.13 million unspent 2014 Disaster 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 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**

ADJUSTMENTS BUDGET 2014/15

Resolutions

It is recommended:

- That the Adjustments Budget for the financial year 2014/15 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** .
- That the Roll over amount of the unspent R2.13 million (Disaster) 2013/14 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 23 of January 2015. 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 analysed 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 2014 which effectively means that the adjustments budget should be tabled before the end of February 2015.

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 2014/15

Summary of adjustments: Operating Budget

<u>ITEM</u>	<u>ORIGINAL BUDGET</u>	<u>PROPOSED ADJUSTMENTS</u>	<u>ADJUSTMENTS BUDGET</u>	<u>COMMENTS</u>
<u>INCOME</u>				
Interest (debtors)	R -	R -3 500 000.00	R -3 500 000.00	Interest raised on outstanding debtors. Income subject to collection rate
Fines	R -636 000.00	R -159 000.00	R -795 000.00	Income increased with 25%
Cash flow	R -4 366 439.00	R -2 000 000.00	R -6 366 439.00	Income from Government debt
Other	R -102 937 456.00	R -379 911.00	R -103 317 367.00	
	<u>R -107 939 895.00</u>	<u>R -6 038 911.00</u>	<u>R -113 978 806.00</u>	
<u>EXPENSES</u>				
Increase in S&T budget	R 730 259.00	R 828 075.00	R 1 558 334.00	
Protective clothing	R 74 760.00	R 149 254.00	R 224 014.00	For Water & Sewerage respectively
Salga	R 889.00	R 347 707.00	R 348 596.00	Not Budgeted for
Bad debts	R 9 313 423.00	R 841 490.00	R 10 154 913.00	Align with the collection rate
Depreciation	R 4 204 998.00	R 16 874 041.00	R 21 079 039.00	Correction
Electricity bulk purchases	R 2 054 511.00	R 900 000.00	R 2 954 511.00	Correction
Electricity purchases	R 450 000.00	R 300 000.00	R 750 000.00	Correction
Communication	R 2 500.00	R 200 000.00	R 202 500.00	Budget for new function
Sample testing	R -	R 81 150.00	R 81 150.00	Testing of water
DTLC (Equipment)	R 5 621.00	R 35 000.00	R 40 621.00	Repairs to the testing station
Other Expenses	R 75 423 370.00	R 1 395 157.66	R 76 818 527.66	
	<u>R 92 260 331.00</u>	<u>R 21 951 874.66</u>	<u>R 114 212 205.66</u>	
	<u>R -15 679 564.00</u>	<u>R 15 912 963.66</u>	<u>R 233 399.66</u>	
Capital Expenditure	R 19 884 564.00	R 961 075.66	R 20 845 639.66	
(Surplus/ Deficit)	R 4 205 000.00	R 16 874 039.32	R 21 079 039.32	
Non cash item	R 4 204 998.00	R 16 874 041.00	R 21 079 039.00	
Net (Surplus/ Deficit)	<u>R 2.00</u>	<u>R -1.68</u>	<u>R 0.32</u>	

ADJUSTMENTS BUDGET 2014/15

Grants

The following grants were not budgeted for:

Human Settlements:	R 5 870 940
DWAF:	R5 966 606
Total	R11 837 546

At time of compilation of the Original Budget before the start of the financial year, these amounts were unknown, subsequently; these will have to be included in the Adjustments budget. Expenditure on these has already commenced.

ADJUSTMENTS BUDGET 2014/15

PART 2: ADJUSTMENT BUDGET TABLES Financial Performance

Description	Ref	Budget Year 2014/15									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	1	A	3	4	5	6	7	8	9	10		
		A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	15 259	-	-	-	-	-	(408)	(408)	14 851	16 175	-
Property rates - penalties & collection charges												
Service charges - electricity revenue	2	1 916	-	-	-	-	-	-	-	1 916	2 247	-
Service charges - water revenue	2	8 818	-	-	-	-	-	-	-	8 818	8 807	-
Service charges - sanitation revenue	2	8 231	-	-	-	-	-	-	-	8 231	8 517	-
Service charges - refuse revenue	2	3 659	-	-	-	-	-	-	-	3 659	3 878	-
Service charges - other											506	
Rental of facilities and equipment		143						47	47	190	121	
Interest earned - external investments		681								681	3 440	
Interest earned - outstanding debtors								3 501	3 501	3 501		
Dividends received												
Fines		636						159	159	795	4 494	
Licences and permits		7						0	0	8	169	
Agency services		2 126						133	133	2 258	4 494	
Transfers recognised - operating		59 053						12 731	12 731	71 784	55 967	
Other revenue	2	7 411	-	-	-	-	-	1 714	1 714	9 125	6 302	-
Gains on disposal of PPE												
Total Revenue (excluding capital transfers and contributions)		107 940	-	-	-	-	-	17 876	17 876	125 816	115 018	-
Expenditure By Type												
Employee related costs		34 214	-	-	-	-	-	889	889	35 104	39 867	-
Remuneration of councillors		2 907								2 907	3 057	
Debt impairment		9 553						841	841	10 395	4 106	
Depreciation & asset impairment		4 205						16 874	16 874	21 079	4 454	-
Finance charges		185								185	191	
Bulk purchases		2 087						900	900	2 987	4 103	-
Other materials												
Contracted services		3 185						50	50	3 235	4 020	-
Transfers and grants		17 116						12 549	12 549	29 666	16 005	
Other expenditure		18 807						1 685	1 685	20 492	24 512	-
Loss on disposal of PPE												
Total Expenditure		92 260	-	-	-	-	-	33 789	33 789	126 050	100 326	-
Surplus/(Deficit)		15 680	-	-	-	-	-	(15 913)	(15 913)	(233)	14 691	-

Total revenue increased by R17.89 million and expenditure by R33.79 million, resulting in and adjusted deficit of R233.

ADJUSTMENTS BUDGET 2014/15

Financial Position

Description	Ref	Budget Year 2014/15								Budget Year	Budget Year	
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	
R thousands		3	4	5	6	7	8	9	10			
		A	A1	B	C	D	E	F	G	H		
ASSETS												
Current assets												
Cash		524							-	524	556	589
Call investment deposits	1	16 000	-	-	-	-	-	-	-	16 000	16 960	17 978
Consumer debtors	1	13 818	-	-	-	-	-	-	-	13 818	(81 953)	(183 470)
Other debtors												
Current portion of long-term receivables												
Inventory												
Total current assets		30 343	-	-	-	-	-	-	-	30 343	(64 437)	(164 904)
Non current assets												
Long-term receivables												
Investments												
Investment property		29								29	31	33
Investment in Associate												
Property, plant and equipment	1	257 976	-	-	-	-	-	-	-	257 976	273 454	289 861
Agricultural												
Biological												
Intangible		524								524	555	589
Other non-current assets											1 392	1 476
Total non current assets		258 529	-	-	-	-	-	-	-	258 529	275 432	291 958
TOTAL ASSETS		286 871	-	-	-	-	-	-	-	288 871	210 985	127 055
LIABILITIES												
Current liabilities												
Bank overdraft												
Borrowing												
Consumer deposits		134								134	142	150
Trade and other payables		64 094								64 094	69 332	73 491
Provisions		92								92	98	104
Total current liabilities		64 320	-	-	-	-	-	-	-	64 320	69 571	73 745
Non current liabilities												
Borrowing	1											
Provisions	1	1 224								1 224	1 298	1 375
Total non current liabilities		1 224	-	-	-	-	-	-	-	1 224	1 298	1 375
TOTAL LIABILITIES		65 544	-	-	-	-	-	-	-	65 544	70 869	75 121
NET ASSETS	2	223 327	-	-	-	-	-	-	-	223 327	140 126	51 934
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		237 915								237 915	252 190	267 322
Reserves		(14 588)								(14 588)	(15 464)	(16 392)
TOTAL COMMUNITY WEALTH/EQUITY		223 327	-	-	-	-	-	-	-	223 327	236 727	250 930

ADJUSTMENTS BUDGET 2014/15

Capital Expenditure

Capital Expenditure - Standard												
Governance and administration		92	-	-	-	-	-	56	56	148	-	-
Executive and council		5								5		
Budget and treasury office		14						19	19	32		
Corporate services		73						38	38	110		
Community and public safety		5 641	-	-	-	-	-	19	19	5 660	81	-
Community and social services												
Sport and recreation		5 626								5 626	81	
Public safety		15						19	19	34		
Housing												
Health												
Economic and environmental services		-	-	-	-	-	757	3	760	760	622	-
Planning and development												
Road transport							757	3	760	760	622	
Environmental protection												
Trading services		14 152	-	-	-	-	204	(78)	126	14 278	14 656	-
Electricity												
Water		14 127					204	(78)	126	14 253	14 610	
Waste water management												
Waste management		25								25	45	
Other												
Total Capital Expenditure - Standard	3	19 885	-	-	-	-	961	0	961	20 846	15 358	-
Funded by:												
National Government		19 653					961		961	20 614	14 367	
Provincial Government												
District Municipality												
Other transfers and grants												
Total Capital transfers recognised	4	19 653	-	-	-	-	961	-	961	20 614	14 367	-
Public contributions & donations												
Borrowing												
Internally generated funds		232								232	260	
Total Capital Funding		19 885	-	-	-	-	961	-	961	20 846	14 627	-

Total Capital expenditure increased by R961 000, the full amount being grant funded.

ADJUSTMENTS BUDGET 2014/15

Cash flow

Description	Ref	Budget Year 2014/15									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 2015/16	+2 2016/17	
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		33 383							-	33 383	35 386	37 509
Government - operating	1	38 560							-	38 560	40 217	42 498
Government - capital	1	20 391							-	20 391	15 123	15 612
Interest		633							-	633	671	711
Dividends									-			
Payments												
Suppliers and employees		(62 995)							-	(62 995)	(59 637)	(62 665)
Finance charges		(405)							-	(405)	(429)	(455)
Transfers and Grants	1	(4 666)							-	(4 666)	(4 946)	(5 243)
NET CASH FROM/(USED) OPERATING ACTIVITIES		24 891	-	-	-	-	-	-	-	24 891	26 385	27 967
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE									-	-		
Decrease (increase) in non-current debtors		(4 500)							-	(4 500)	(4 770)	(5 055)
Decrease (increase) other non-current receivables									-			
Decrease (increase) in non-current investments									-			
Payments												
Capital assets		(20 391)							-	(20 391)	(21 614)	(22 911)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(24 891)	-	-	-	-	-	-	-	(24 891)	(26 384)	(27 968)
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	5 571							-	5 571		(0)
Cash/cash equivalents at the year end:	2	5 571							-	5 571	0	(0)

ADJUSTMENTS BUDGET 2014/15

Municipal manager's quality certificate

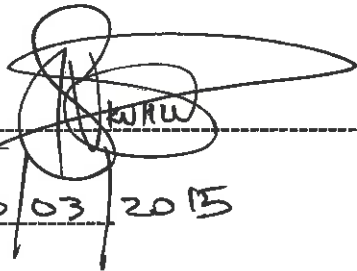
I, **Sabelo Nkuhlu**, the Municipal Manager of Kou-Kamma Local Municipality, hereby certify that the 2014/15 adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budgeting and Reporting Regulations made under the Act, and that the 2014/15 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 be 'S. Nkuhlu', written over a horizontal dashed line. The signature is stylized and somewhat illegible.

Date:

03/03/2015

