

2017/18 ADJUSTMENTS BUDGET OF KOUGA LOCAL MUNICIPALITY



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PART 1 – 2017/18 ADJUSTMENTS BUDGET

1.1. Executive Mayor's Report

1.1.1. Summary of reasons for the 2017/18 Adjustments Budget

In accordance with Section 28 of the Municipal Finance Management Act, Act No 56 of 2003 (MFMA), a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- i. To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue;
- ii. To 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;
- iii. To 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 annual budget for the current year was approved by the Council;
- iv. To authorise the utilisation of projected savings in one vote towards spending under another vote;
- v. To correct any errors in the annual budget.

The Municipal Budget and Reporting Regulations stipulate that one adjustments budget may be tabled in the Municipal Council during a financial year. The Adjustments Budget must normally be approved by Council by the end of February.

In line with the MFMA and the Municipal Budget and Reporting Regulations, the 2017/18 approved Budget has been adjusted. The adjustment has mainly been necessitated as a result of the following:

- The need to adjust revenue and expenditure estimates, in line with revenue collection levels.
- The need to appropriate additional revenues that became available over and above those anticipated in the approved 2017/18 Budget.
- The need to authorise the utilisation of projected savings in one vote towards spending under another vote.
- The need to authorise the spending of unspent funds at the end of the 2016/17 financial year.

- 1.1.2. The Executive Mayor recommends that the Council approves the 2017/18 Adjustments Budget.

1.2. 2017/18 Adjustments Budget Resolutions

1.2.1. Approval of the Adjustments Budget

- i. The Executive Mayor recommends that the Council, by resolution taken by the majority of its full number, and in terms of Section 30(2) of the Local Government: Municipal Structures Act No. 117 of 1998 (as amended), read in conjunction with Section 28 of the Local Government: Municipal Finance Management Act, Act No 56 of 2003, approves the 2017/18 Adjustments Budget as set-out in the following tables:

Table B1 Adjustments Budget Summary: page 7

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Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote): page 11

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Table B6 Adjustments Budget Financial Position: page 21

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1.3. Executive Summary

The 2017/18 Adjustments Budget amounts to R 824,855 million, comprising of R 755,241 million for the Operating Budget and R 69,614 million for the Capital Budget.

The Operating Adjustments Budget reflects an increase of R 10,399 million (1.40%), compared to the originally approved 2017/18 Operating Budget of R 744,842 million, whilst the Capital Adjustments Budget reflects an increase of R 9,934 million (16.65%), compared to the originally approved budget of R 59,680 million.

The increase in the Operating Budget of R 10,399 million is made up as follows:

Decrease in Employee Related Costs	R 6,979 million
Decrease in Transfers and Grants	R 1,550 million
Decrease in General Expenses	<u>R10,599 million</u>
Total Expenditure Decreases	R 19,126 million
Increase in Contracted Services	R 1,221 million
Increase in Repairs and Maintenance	R 9,604 million
Increase in Debt Impairment	R 18,317 million
Increase in Remuneration of Councillors	<u>R 0,385 million</u>
Total Expenditure Increases	<u>R 29,527 million</u>
Net Expenditure Increase	<u>R 10,399 million</u>

In terms of funding the Capital Budget, the funding sources supporting the Municipality's capital expenditure, are summarised below:

Capital Expenditure by Funding Source

	Original Budget 2017/18	Adjustments Budget 2017/18	Variance
	R	R	R
Total Capital Budget	59,679,720	69,613,720	9,934,000
Funded as follows:			
Grant funding	35,460,300	36,456,349	996,049
Internal funding	24,219,420	33,157,371	8,937,951
Total	59,679,720	69,613,720	9,934,000

The increase in internal funding is mainly attributable to certain projects, being completed over two financial years, with completion now occurring in the 2017/18 financial year.

It is to be noted that the 2017/18 Original Budget reflected a funding surplus of R 26,128 million, whilst the 2017/18 Adjustments Budget reflects a funding surplus of R 14,231 million.

A provision of R 49,997 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 90%.

The free basic services programme currently, provides the following benefits to poor households:

- Free 50 kwh of electricity, plus basic charges
- Free 12kl of water, plus basic charges
- Free monthly refuse charges
- Free monthly environmental fees
- Free monthly sewerage charges (based on 12kl of water)
- Less extra R 85 000 on the value of the property for rates charges

1.4. Adjustments Budget Tables

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2017/18 Adjustments Budget to be considered for approval by Council. Each table is accompanied by explanatory notes

Table B1: Adjustments Budget Summary

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Financial Performance				
Property rates	160 565	–	–	160 565
Service charges	370 094	0	0	370 094
Investment revenue	7 195	210	210	7 405
Transfers recognised - operational	114 219	(555)	(555)	113 664
Other own revenue	32 267	5 032	5 032	37 299
	684 339	4 687	4 687	689 026
Total Revenue (excluding capital transfers and contributions)				
Employee costs	256 022	(6 977)	(6 977)	249 044
Remuneration of councillors	11 725	385	385	12 111
Depreciation & asset impairment	83 730	–	–	83 730
Finance charges	3 768	–	–	3 768
Materials and bulk purchases	243 424	9 604	9 604	253 028
Transfers and grants	1 580	(1 550)	(1 550)	30
Other expenditure	144 593	8 938	8 938	153 530
Total Expenditure	744 842	10 399	10 399	755 241
Surplus/(Deficit)	(60 503)	(5 712)	(5 712)	(66 215)
Transfers recognised - capital	34 660	1 000	1 000	35 660
Contributions recognised - capital & contributed assets	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(25 843)	(4 712)	(4 712)	(30 555)
Share of surplus/ (deficit) of associate	–	–	–	–
Surplus/ (Deficit) for the year	(25 843)	(4 712)	(4 712)	(30 555)
Capital expenditure & funds sources				
Capital expenditure	59 680	9 934	9 934	69 614
Transfers recognised - capital	35 460	996	996	36 456
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	24 219	8 938	8 938	33 157
Total sources of capital funds	59 680	9 934	9 934	69 614
Financial position				
Total current assets	145 598	(7 038)	(7 038)	138 560
Total non current assets	2 647 186	–	–	2 647 186
Total current liabilities	153 131	10 217	10 217	163 348
Total non current liabilities	148 939	–	–	148 939
Community wealth/Equity	2 490 714	(17 256)	(17 256)	2 473 458

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Cash flows				
Net cash from (used) operating	57 887	(17 935)	(17 935)	39 952
Net cash from (used) investing	(59 680)	(8 334)	(8 334)	(68 014)
Net cash from (used) financing	(6 443)	-	-	(6 443)
Cash/cash equivalents at the year end	60 014	(10 264)	(10 264)	49 750
Cash backing/surplus reconciliation				
Cash and investments available	60 014	(10 263)	(10 263)	49 751
Application of cash and investments	33 886	1 633	1 633	35 519
Balance - surplus (shortfall)	26 127	(11 896)	(11 896)	14 231
Asset Management				
Asset register summary (WDV)	2 646 963	0	0	2 646 963
Depreciation & asset impairment	83 730	-	-	83 730
Renewal of Existing Assets	19 126	(86)	(86)	19 041
Repairs and Maintenance	42 083	(280)	(280)	41 803
Free services				
Cost of Free Basic Services provided	32	31 296	31 296	31 328
Revenue cost of free services provided	34 160	-	-	34 160
Households below minimum service level				
Water:	-	-	-	-
Sanitation/sewerage:	4	-	-	4
Energy:	-	-	-	-
Refuse:	-	-	-	-

Explanatory notes to Table B1 – Adjustments Budget Summary

The aim of the Adjustments Budget Summary is to provide a concise overview of the proposed Adjustments Budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

Table B2 – Adjustments Budget Financial Performance (revenue and expenditure by standard classification)

Standard Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Revenue - Functional				
Governance and administration	281 833	(255)	(255)	281 577
Executive and council	34	(34)	(34)	–
Finance and administration	281 799	(222)	(222)	281 577
Internal audit	–	–	–	–
Community and public safety	14 965	10 040	10 040	25 004
Community and social services	2 428	2 980	2 980	5 408
Sport and recreation	9 833	(1 089)	(1 089)	8 744
Public safety	4	8 296	8 296	8 300
Housing	–	–	–	–
Health	2 699	(147)	(147)	2 552
Economic and environmental services	29 175	(3 097)	(3 097)	26 078
Planning and development	6 521	612	612	7 133
Road transport	8 408	(3 867)	(3 867)	4 540
Environmental protection	14 247	158	158	14 405
Trading services	393 027	(1 000)	(1 000)	392 027
Energy sources	239 206	0	0	239 206
Water management	60 871	(1 000)	(1 000)	59 871
Waste water management	65 521	0	0	65 521
Waste management	27 429	0	0	27 429
Other	–	–	–	–
Total Revenue - Functional	719 000	5 687	5 687	724 687
Expenditure - Functional				
Governance and administration	169 788	(9 647)	(9 647)	160 141
Executive and council	43 765	(8 643)	(8 643)	35 122
Finance and administration	126 024	(1 004)	(1 004)	125 020
Internal audit	–	–	–	–
Community and public safety	81 788	12 707	12 707	94 495
Community and social services	9 701	2 281	2 281	11 982
Sport and recreation	42 081	6 763	6 763	48 844
Public safety	20 985	4 193	4 193	25 178
Housing	4 369	(557)	(557)	3 812
Health	4 653	27	27	4 680
Economic and environmental services	111 075	(511)	(511)	110 563

Standard Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Planning and development	30 274	(6 494)	(6 494)	23 780
Road transport	71 834	8 783	8 783	80 617
Environmental protection	8 966	(2 800)	(2 800)	6 167
Trading services	378 843	11 199	11 199	390 041
Energy sources	227 987	7 039	7 039	235 025
Water management	77 021	3 705	3 705	80 726
Waste water management	40 698	106	106	40 804
Waste management	33 136	349	349	33 486
Other	3 349	(3 349)	(3 349)	-
Total Expenditure - Functional	744 842	10 399	10 399	755 241
Surplus/ (Deficit) for the year	(25 843)	(4 712)	(4 712)	(30 555)

Explanatory notes to Table B2 – Adjustments Budget Financial Performance (revenue and expenditure by standard classification)

The “standard classification” refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities.

Table B3 – Adjustments Budget Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Revenue by Vote				
Vote 1 - Executive & Council	–	–	–	–
Vote 2 - Financial Services	277 541	2 190	2 190	279 731
Vote 3 - Administration, Monitoring & Evaluation	752	(19)	(19)	733
Vote 4 - Led, Tourism & Creative Industries	1 440	445	445	1 885
Vote 5 - Infrastructure, Planning & Development	371 680	280	280	371 960
Vote 6 - Social Services	67 586	2 791	2 791	70 377
Total Revenue by Vote	719 000	5 687	5 687	724 687
Expenditure by Vote				
Vote 1 - Executive & Council	35 224	(102)	(102)	35 122
Vote 2 - Financial Services	65 852	7 000	7 000	72 852
Vote 3 - Administration, Monitoring & Evaluation	41 583	(2 975)	(2 975)	38 608
Vote 4 - Led, Tourism & Creative Industries	11 017	(455)	(455)	10 562
Vote 5 - Infrastructure, Planning & Development	443 519	5 918	5 918	449 436
Vote 6 - Social Services	147 648	1 014	1 014	148 662
Total Expenditure by Vote	744 842	10 400	10 400	755 242
Surplus/ (Deficit) for the year	(25 843)	(4 712)	(4 712)	(30 555)

Explanatory notes to Table B3 – Adjustments Budget Financial Performance (revenue and expenditure by municipal vote)

The purpose of the format in which the Adjustments Budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure is thus presented by "vote". A "vote" is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

Table B4 – Adjustments Budget Financial Performance (revenue and expenditure)

Description	Budget Year 2017/18				
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Revenue By Source					
Property rates	160 565	-	-	-	160 565
Service charges - electricity revenue	230 405	-	-	-	230 405
Service charges - water revenue	58 871	-	-	-	58 871
Service charges - sanitation revenue	40 622	-	-	-	40 622
Service charges - refuse revenue	27 412	-	12 782	12 782	40 195
Service charges - other	12 782		(12 782)	(12 782)	-
Rental of facilities and equipment	1 309		465	465	1 774
Interest earned - external investments	7 195		210	210	7 405
Interest earned - outstanding debtors	8 939			-	8 939
Dividends received	-			-	-
Fines, penalties and forfeits	3 761		201	201	3 962
Licences and permits	11 773		503	503	12 276
Agency services	-			-	-
Transfers and subsidies	114 219		(555)	(555)	113 664
Other revenue	6 484	-	3 863	3 863	10 347
Gains on disposal of PPE				-	-
Total Revenue (excluding capital transfers and contributions)	684 339	-	4 687	4 687	689 026
Expenditure By Type					
Employee related costs	256 022	-	(6 977)	(6 977)	249 044
Remuneration of councillors	11 725		385	385	12 111
Debt impairment	31 680		18 317	18 317	49 997
Depreciation & asset impairment	83 730	-	-	-	83 730
Finance charges	3 768			-	3 768
Bulk purchases	225 623	-	-	-	225 623
Other materials	17 801		9 604	9 604	27 405
Contracted services	41 751	-	1 221	1 221	42 971

Description	Budget Year 2017/18				
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
Transfers and subsidies	1 580		(1 550)	(1 550)	30
Other expenditure	71 162	-	(10 599)	(10 599)	60 562
Loss on disposal of PPE				-	-
Total Expenditure	744 842	-	10 399	10 399	755 241
Surplus/(Deficit)	(60 503)	-	(5 712)	(5 712)	(66 215)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	34 660		1 000	1 000	35 660
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)				-	-
Transfers and subsidies - capital (in-kind - all)				-	-
Surplus/(Deficit) before taxation	(25 843)	-	(4 712)	(4 712)	(30 555)
Taxation				-	-
Surplus/(Deficit) after taxation	(25 843)	-	(4 712)	(4 712)	(30 555)
Attributable to minorities				-	-
Surplus/(Deficit) attributable to municipality	(25 843)	-	(4 712)	(4 712)	(30 555)
Share of surplus/ (deficit) of associate				-	-
Surplus/ (Deficit) for the year	(25 843)	-	(4 712)	(4 712)	(30 555)

Explanatory notes to Table B4 – Adjustments Budget Financial Performance (revenue and expenditure)

Revenue

1. The Financial Performance Adjustments Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the Adjustments Budget, so as to assess performance.
2. Total operating revenue amounts to R 689,026 million in the 2017/18 Adjustments Budget, compared to the amount of R 684,339 million in the original 2017/18 Budget. This represents an increase of R 4,687 million or 0.68%.
3. The significant variations in revenue, compared to the 2017/18 original budget are as follows:

3.1 Rental of Facilities and Equipment

Rental of facilities increased by R 0,465 million, compared to the 2017/18 Original budget. Rental of facilities and equipment relates to the rental of municipal caravan parks, municipal houses/buildings and community halls.

3.2 Interest Earned – External Investments

Interest earned on external investments increased by R 0,210 million, compared to the 2017/18 Original budget. Interest earnings are influenced by the extent of the municipality's investment portfolio.

3.3 Fines

Fines increased by R 0,201 million, compared to the 2017/18 Original budget. The fines revenue largely relates to traffic fines collection.

3.4 Licences & Permits

Licence and permits increased by R 0,503 million, compared to the 2017/18 Original budget. Licences and permits are influenced by the extent of vehicle licencing and registration.

3.5 Transfers recognised – operational

Operational grants decreased by R 0,555 million, compared to the 2017/18 Original budget. The decrease in transfers recognised is made up as follows:

Description	2017/18 Original Budget	2017/18 Adjustments Budget	Variance
	R	R	R
Accelerated Community Infrastructure Programme -Water	2 000 000	-	-2 000 000
Fire Services Subsidy	-	1 865 000	1 865 000
Environmental Health Subsidy	2 500 000	2 353 315	-146 685
Skills Development Grant	718 222	-	-718 222
LED Grant	-	445,000	445,000
Total	5 218 222	4,663,315	-554 907

The skills development grant has been moved to other revenue in line with mSCOA requirements.

3.7 Other revenue

Other revenue increased by R 3,863 million, compared to the 2017/18 Original budget. The increase relates to caravan parks fees which increased by R 0,489 million, insurance claims which increased by R 0,489 million and building plan fees which increased by R 0,622 million, being higher than initially anticipated. Other revenue also includes an amount of R 1,600 million, relating to the proceeds from the disposal of redundant assets.

Expenditure

4. Total operating expenditure amounts to R 756,241 million in the 2017/18 Adjustments Budget, compared to the amount of R 744,842 million in the 2017/18 Original Budget. This represents an increase of R 10,399 million or 1.40%.
5. The significant variations in expenditure, compared to the 2017/18 Original budget, are as follows:

5.1 Employee Related Costs

Employee related costs decreased by R 6,979 million, compared to the 2017/18 Original budget. The decrease is mainly attributable to a delay in the filling of funded vacant positions.

5.2 Remuneration of Councillors

Remuneration of councillors increased by R 0,385 million, compared to the 2017/18 Original budget. The increase is in line with the latest determination in relation to the upper limits for salaries, allowances and benefits.

5.3 Debt Impairment

Debt impairment increased by R 18,317 million, compared to the 2017/18 Original budget. This is mainly attributable to basing the 2017/18 Adjustments Budget on a collection rate of 90%, based on prevailing collection trends.

5.4 Other materials

Other materials relate to the repairs and maintenance budget. Repairs and maintenance increased by R 9,604 million, compared to the 2017/18 Original budget.

The increase is mainly attributable to certain repairs and maintenance budget allocations, initially budgeted under general expenses, being transferred to repairs and maintenance.

5.5 Contracted Services

Contracted services increased by R 1,221 million, compared to the 2017/18 original budget. This is mainly attributable to the increased hiring of vehicles.

5.6 Transfers and grants

Transfers and grants decreased by R 1,550 million, compared to the 2017/18 Original budget. The decrease is mainly attributable to ward capital budget allocations, initially budgeted under transfers and grants, being transferred to the capital budget.

5.7 Other expenditure

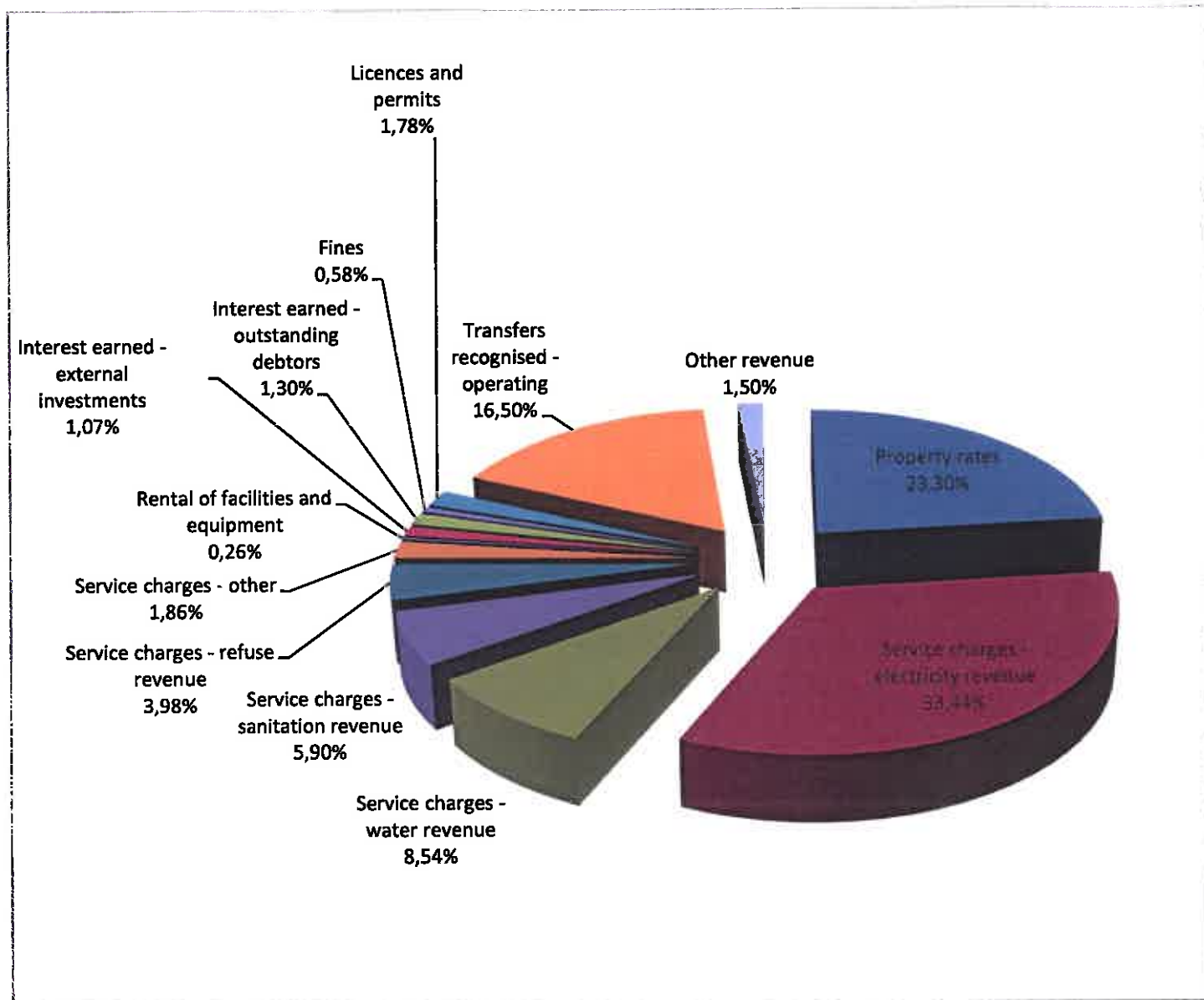
Other expenditure relates to various general expenses, relating to the running costs of the municipality, such as printing and stationery, telephone accounts, etc.

Other expenditure decreased by R 10,599 million, compared to the 2017/18 Original budget.

The decrease is mainly attributable to certain repairs and maintenance budget allocations, initially budgeted under general expenses, being transferred to repairs and maintenance.

The following graphs explain the revenue and expenditure components in more detail:

2017/18 Statement of Financial Performance – Adjusted Revenue



2017/18 Statement of Financial Performance – Adjusted Expenditure

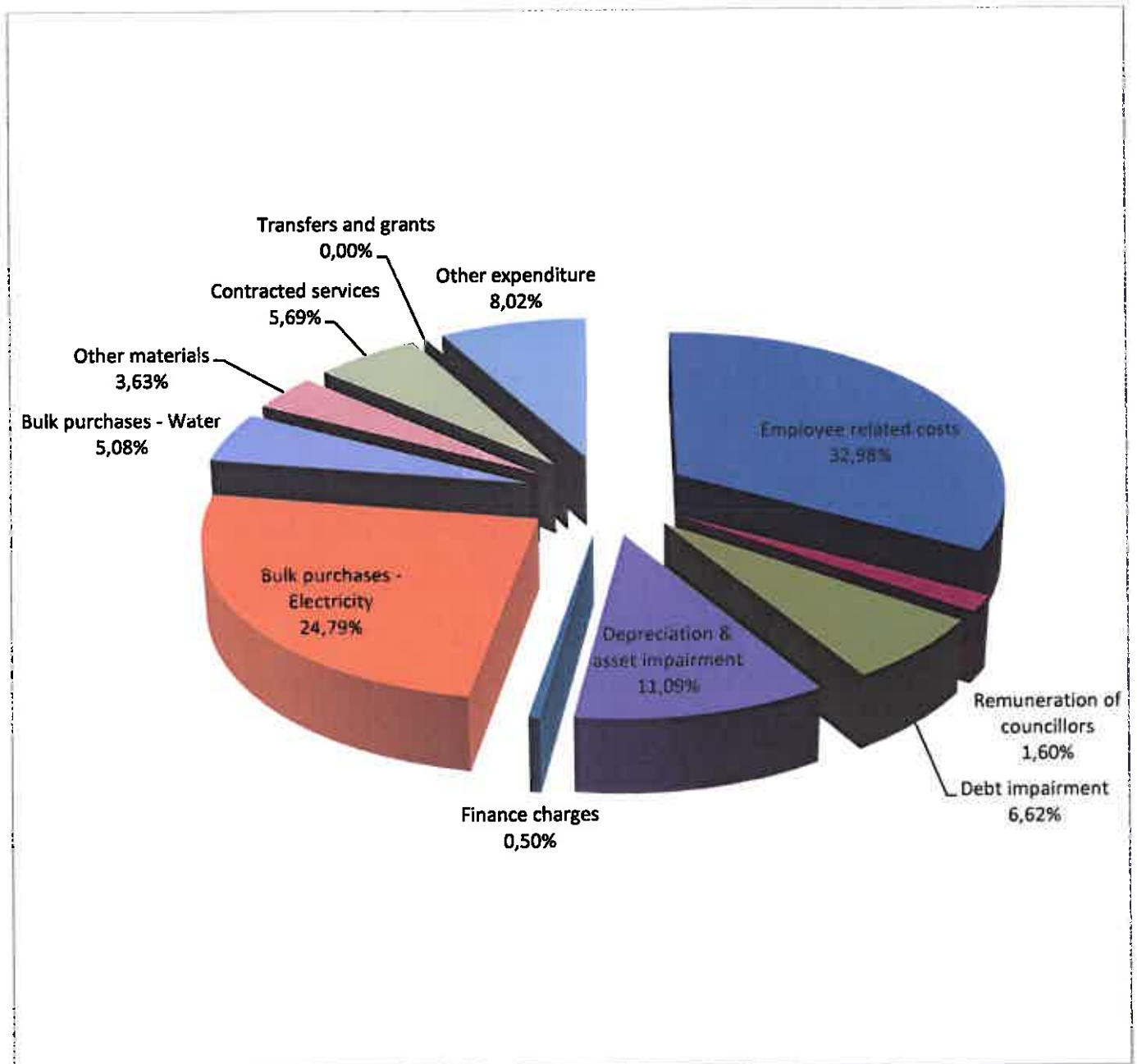


Table B5 – Adjustments Capital Expenditure Budget by vote, standard classification and funding source

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Single-year expenditure to be adjusted				
Vote 1 - Executive & Council	181	2 780	2 780	2 961
Vote 2 - Financial Services	3 304	(514)	(514)	2 790
Vote 3 - Administration, Monitoring & Evaluation	477	1 807	1 807	2 284
Vote 4 - Led, Tourism & Creative Industries	2 551	(584)	(584)	1 967
Vote 5 - Infrastructure, Planning & Development	40 408	939	939	41 347
Vote 6 - Social Services	12 759	5 506	5 506	18 265
Capital single-year expenditure sub-total	59 680	9 934	9 934	69 614
Total Capital Expenditure - Vote	59 680	9 934	9 934	69 614
Capital Expenditure - Functional				
Governance and administration	4 813	4 254	4 254	9 066
Executive and council	157	2 780	2 780	2 937
Finance and administration	4 656	1 474	1 474	6 129
Internal audit	-	-	-	-
Community and public safety	6 715	2 765	2 765	9 480
Community and social services	599	2 510	2 510	3 109
Sport and recreation	4 591	(278)	(278)	4 314
Public safety	950	533	533	1 483
Housing	-	-	-	-
Health	575	-	-	575
Economic and environmental services	5 391	(840)	(840)	4 551
Planning and development	1 631	(1 090)	(1 090)	541
Road transport	2 820	-	-	2 820
Environmental protection	940	250	250	1 190
Trading services	42 761	3 756	3 756	46 516
Energy sources	7 255	(2 315)	(2 315)	4 940
Water management	5 292	2 721	2 721	8 013

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Waste water management	27 068	858	858	27 926
Waste management	3 145	2 491	2 491	5 636
<i>Other</i>	-	-	-	-
Total Capital Expenditure - Functional	59 680	9 934	9 934	69 614
Funded by:				
National Government	35 460	996	996	36 456
Provincial Government			-	-
District Municipality			-	-
Other transfers and grants			-	-
Transfers recognised - capital	35 460	996	996	36 456
Public contributions & donations			-	-
Borrowing			-	-
Internally generated funds	24 219	8 938	8 938	33 157
Total Capital Funding	59 680	9 934	9 934	69 614

Explanatory notes to Table B5 – Adjustments Capital Expenditure Budget by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

Table B6 – Adjustments Budget Financial Position

Description	Current Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
ASSETS				
Current assets				
Cash	18 004	(13 029)	(13 029)	4 975
Call investment deposits	42 010	2 766	2 766	44 775
Consumer debtors	55 213	–	–	55 213
Other debtors	25 677	3 225	3 225	28 902
Current portion of long-term receivables	3	–	–	3
Inventory	4 691	–	–	4 691
Total current assets	145 598	(7 038)	(7 038)	138 559
Non-current assets				
Long-term receivables	150	–	–	150
Investments	–	–	–	–
Investment property	84 431	–	–	84 431
Investment in Associate	–	–	–	–
Property, plant and equipment	2 562 532	–	–	2 562 532
Agricultural	–	–	–	–
Biological	–	–	–	–
Intangible	73	–	–	73
Other non-current assets	–	–	–	–
Total non-current assets	2 647 186	–	–	2 647 186
TOTAL ASSETS	2 792 784	(7 038)	(7 038)	2 785 745
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Borrowing	6 443	–	–	6 443
Consumer deposits	8 856	10 217	10 217	19 073
Trade and other payables	106 811	–	–	106 811
Provisions	31 021	–	–	31 021
Total current liabilities	153 131	10 217	10 217	163 348

Description	Current Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Non-current liabilities				
Borrowing	30 269	-	-	30 269
Provisions	118 670	-	-	118 670
Total non-current liabilities	148 939	-	-	148 939
TOTAL LIABILITIES	302 070	10 217	10 217	312 287
NET ASSETS	2 490 714	(17 256)	(17 256)	2 473 458
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	2 490 714	(17 256)	(17 256)	2 473 458
Reserves	-	-	-	-
Minorities' interests			-	-
TOTAL COMMUNITY WEALTH/EQUITY	2 490 714	(17 256)	(17 256)	2 473 458

Explanatory notes to Table B6 – Adjustments Budget Financial Position

- 1 The table represents Assets Less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; e.g. assets readily converted to cash or liabilities immediately required to be met from cash appear first.
- 2 Any movement on the Adjustments Budgeted Financial Performance or the Capital Adjustments Budget will invariably impact on the Adjustments Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is directly informed by forecasting the statement of financial position.
- 3 The cash flow position requires close and ongoing monitoring.

Table B7 – Adjustments Budgeted Cash Flow Statement

Description	Current Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	150 931	(9 056)	(9 056)	141 875
Service charges	348 047	(20 883)	(20 883)	327 164
Other revenue	23 328	3 432	3 432	26 760
Government - operating	114 219	(555)	(555)	113 664
Government - capital	34 660	1 000	1 000	35 660
Interest	16 134	210	210	16 344
Dividends			-	-
Payments				
Suppliers and employees	(624 084)	6 367	6 367	(617 717)
Finance charges	(3 768)		-	(3 768)
Transfers and Grants	(1 580)	1 550	1 550	(30)
NET CASH FROM/(USED) OPERATING ACTIVITIES	57 887	(17 934)	(17 934)	39 953
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE		1 600	1 600	1 600
Decrease (increase) in non-current debtors			-	-
Decrease (increase) other non-current receivables			-	-
Decrease (increase) in non-current investments			-	-
Payments				
Capital assets	(59 680)	(9 934)	(9 934)	(69 614)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(59 680)	(8 334)	(8 334)	(68 014)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans			-	-
Borrowing long term/refinancing			-	-
Increase (decrease) in consumer deposits			-	-
Payments				
Repayment of borrowing	(6 443)		-	(6 443)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6 443)	-	-	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD	(8 235)	(26 268)	(26 268)	(34 503)
Cash/cash equivalents at the year begin:	68 249	16 005	16 005	84 254
Cash/cash equivalents at the year-end:	60 014	(10 263)	(10 263)	49 750

Explanatory notes to Table B7 – Adjustments Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.
2. It reflects the expected cash in-flows versus the cash out-flows that is likely to result from the implementation of the Budget.
3. The municipality will have to maintain its efforts of enforcing strict cash flow management and monitoring on an ongoing basis.

Table B8 – Cash backed reserves/accumulated surplus reconciliation

Description	Current Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Cash and investments available				
Cash/cash equivalents at the year end	60 014	(10 263)	(10 263)	49 750
Other current investments > 90 days	–	–	–	–
Non-current assets - Investments	–	–	–	–
Cash and investments available:	60 014	(10 263)	(10 263)	49 750
Applications of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing			–	–
Statutory requirements			–	–
Other working capital requirements	31 618	1 633	1 633	33 252
Other provisions	2 268		–	2 268
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–
Total Application of cash and investments:	33 886	1 633	1 633	35 519
Surplus(shortfall)	26 128	(11 896)	(11 896)	14 231

Explanatory notes to Table B8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 Budget, the end objective was to ensure that the budget is funded as required in accordance with section 18 of the MFMA.
4. It is to be noted that the 2017/18 Original Budget reflected a funding surplus of R 26,128 million, whilst the 2017/18 Adjustments Budget reflects a reduced funding surplus of R 14,231 million.
5. The Adjustments Budget funding position indicates that the Municipality must continue to exercise strict fiscal discipline to maintain and improve its funding position.

Table B9 – Asset Management

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
CAPITAL EXPENDITURE				
Total New Assets to be adjusted	40 553	10 020	10 020	50 573
<i>Electrical Infrastructure</i>	4 350	(300)	(300)	4 050
<i>Water Supply Infrastructure</i>	1 000	5 421	5 421	6 421
<i>Sanitation Infrastructure</i>	24 610	(850)	(850)	23 760
<i>Solid Waste Infrastructure</i>	300	150	150	450
Infrastructure	30 260	4 421	4 421	34 681
Community Facilities	1 399	1 920	1 920	3 319
Sport and Recreation Facilities	–	–	–	–
Community Assets	1 399	1 920	1 920	3 319
Operational Buildings	120	1 166	1 166	1 286
Other Assets	120	1 166	1 166	1 286
Licences and Rights	1 000	951	951	1 951
Intangible Assets	1 000	951	951	1 951
Computer Equipment	2 403	368	368	2 771
Furniture and Office Equipment	620	1 965	1 965	2 585
Machinery and Equipment	4 752	(772)	(772)	3 980
Total Renewal of Existing Assets to be adjusted	19 126	(86)	(86)	19 041
<i>Roads Infrastructure</i>	1 150	(700)	(700)	450
<i>Electrical Infrastructure</i>	2 000	(2 400)	(2 400)	(400)
<i>Water Supply Infrastructure</i>	2 500	(2 500)	(2 500)	–
<i>Sanitation Infrastructure</i>	–	790	790	790
Infrastructure	5 650	(4 810)	(4 810)	840
Sport and Recreation Facilities	4 599	–	–	4 599
Community Assets	4 599	–	–	4 599
Machinery and Equipment	8 877	4 725	4 725	13 602
Total Capital Expenditure to be adjusted				
<i>Roads Infrastructure</i>	1 150	(700)	(700)	450
<i>Storm water Infrastructure</i>	–	–	–	–
<i>Electrical Infrastructure</i>	6 350	(2 700)	(2 700)	3 650
<i>Water Supply Infrastructure</i>	3 500	2 921	2 921	6 421
<i>Sanitation Infrastructure</i>	24 610	(60)	(60)	24 549
<i>Solid Waste Infrastructure</i>	300	150	150	450
Infrastructure	35 910	(390)	(390)	35 520
Community Facilities	1 399	1 920	1 920	3 319
Sport and Recreation Facilities	4 599	–	–	4 599
Community Assets	5 998	1 920	1 920	7 918
Operational Buildings	120	1 166	1 166	1 286
Other Assets	120	1 166	1 166	1 286
Licences and Rights	1 000	951	951	1 951
Intangible Assets	1 000	951	951	1 951
Computer Equipment	2 403	368	368	2 771
Furniture and Office Equipment	620	1 965	1 965	2 585
Machinery and Equipment	13 630	3 952	3 952	17 582
TOTAL CAPITAL EXPENDITURE to be adjusted	59 680	9 934	9 934	69 614

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
ASSET REGISTER SUMMARY - PPE (WDV)				
<i>Roads Infrastructure</i>	1 142 865		-	1 142 865
<i>Electrical Infrastructure</i>	161 181	(300)	(300)	160 881
<i>Water Supply Infrastructure</i>	294 421	5 421	5 421	299 842
<i>Sanitation Infrastructure</i>	429 121	(850)	(850)	428 271
<i>Solid Waste Infrastructure</i>		150	150	150
Infrastructure	2 027 587	4 421	4 421	2 032 008
Community Facilities	64 927	1 920	1 920	66 847
Community Assets	64 927	1 920	1 920	66 847
Heritage Assets	84 431		-	84 431
Operational Buildings	452 048	(6 341)	(6 341)	445 707
Other Assets	452 048	(6 341)	(6 341)	445 707
Computer Equipment	348		-	348
Furniture and Office Equipment	2 987		-	2 987
Machinery and Equipment	8 638		-	8 638
Transport Assets	5 996		-	5 996
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2 646 963	0	0	2 646 963
EXPENDITURE OTHER ITEMS				
Depreciation & asset impairment	83 730	-	-	83 730
Repairs and Maintenance by asset class	42 083	(280)	(280)	41 803
<i>Roads Infrastructure</i>	10 175	-	-	10 175
<i>Storm water Infrastructure</i>	266	-	-	266
<i>Electrical Infrastructure</i>	7 298	-	-	7 298
<i>Water Supply Infrastructure</i>	4 021	-	-	4 021
<i>Sanitation Infrastructure</i>	3 830	-	-	3 830
<i>Solid Waste Infrastructure</i>	1 004	-	-	1 004
Infrastructure	26 594	-	-	26 594
Community Facilities	3 940	(200)	(200)	3 740
Sport and Recreation Facilities	200	(80)	(80)	120
Community Assets	4 140	(280)	(280)	3 860
Operational Buildings	1 456	-	-	1 456
Other Assets	1 456	-	-	1 456
Machinery and Equipment	974	-	-	974
Transport Assets	8 920	-	-	8 920
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	125 814	(280)	(280)	125 534
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	32.0%			27.4%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>	22.8%			22.7%
<i>R&M as a % of PPE</i>	1.6%			1.6%
<i>Renewal and upgrading and R&M as a % of PPE</i>	2.3%			2.3%

Explanatory notes to Table B9 – Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation are also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion

Table B10 – Basic service delivery measurement

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
Household service targets				
Water:				
Piped water inside dwelling	30		-	0
Piped water inside yard (but not in dwelling)	0		-	-
Using public tap (at least min.service level)	0		-	-
Other water supply (at least min.service level)			-	-
<i>Minimum Service Level and Above sub-total</i>	0	-	-	0
Using public tap (< min.service level)	0		-	-
Other water supply (< min.service level)	0		-	-
No water supply	0		-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	0	-	-	0
Sanitation/sewerage:				
Flush toilet (connected to sewerage)			-	-
Flush toilet (with septic tank)			-	-
Chemical toilet	129		-	129
Pit toilet (ventilated)			-	-
Other toilet provisions (> min.service level)			-	-
<i>Minimum Service Level and Above sub-total</i>	129	-	-	129
Bucket toilet	3885		-	3 885
Other toilet provisions (< min.service level)			-	-
No toilet provisions			-	-
<i>Below Minimum Service Level sub-total</i>	3 885	-	-	3 885
Total number of households	4 014	-	-	4 014
Energy:				
Electricity (at least min. service level)	9610		-	9 610
Electricity - prepaid (> min.service level)	14249		-	14 249
<i>Minimum Service Level and Above sub-total</i>	23 859	-	-	23 859
Electricity (< min.service level)	0		-	-
Electricity - prepaid (< min. service level)	0		-	-
Other energy sources			-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	23 859	-	-	23 859

Description	Budget Year 2016/17			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
Refuse:				
Removed at least once a week (min.service)	21 309		-	21 309
Minimum Service Level and Above sub-total	21 309	-	-	21 309
Removed less frequently than once a week	0		-	-
Using communal refuse dump	0		-	-
Other rubbish disposal	0		-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
Total number of households	21 309	-	-	21 309
Households receiving Free Basic Service				
Water (12 kilolitres per household per month)	0	152	152	152
Sanitation (free minimum level service)	0	96	96	96
Electricity/other energy (50kwh per household per month)	0	141	141	141
Refuse (removed at least once a week)	0	136	136	136
Cost of Free Basic Services provided (R'000)				
Water (12 kilolitres per household per month)	8	13 892	13 892	13 900
Sanitation (free sanitation service)	8	399	399	407
Electricity/other energy (50kwh per household per month)	8	4 492	4 492	4 500
Refuse (removed once a week)	8	12 513	12 513	12 521
Total cost of FBS provided (minimum social package)	31	31 296	31 296	31 328
Highest level of free service provided				
Property rates (R'000 value threshold)	1 336		-	1 336
Water (kilolitres per household per month)	6	6	6	12
Sanitation (kilolitres per household per month)		12	12	12
Sanitation (Rand per household per month)	96		-	96
Electricity (kw per household per month)	50		-	50
Refuse (average litres per week)		340	340	340
Revenue cost of free services provided (R'000)				
Property rates (R15 000 threshold rebate)			-	-
Property rates (other exemptions, reductions and rebates)	14 379		-	14 379
Water	5 908		-	5 908
Sanitation	4 519		-	4 519
Electricity/other energy	2 667		-	2 667
Refuse	6 687		-	6 687
Municipal Housing - rental rebates			-	-
Housing - top structure subsidies			-	-
Other			-	-
Total revenue cost of free services provided (total social package)	34 160	-	-	34 160

Explanatory notes to Table B10 – Basic Service Delivery Measurement

Table B10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Adjustments to Budget Assumptions

The budget assumptions, which informed the approved 2017/18 Budget, have been maintained, except for the debtors' collection rate.

2.2 Adjustments to Budget Funding

2.2.1 Funding the Adjustments Budget

2.2.1.1 Funding of Operating Expenditure

The Municipality's operating expenditure is mainly funded from sources such as property rates, service charges and government grants. The table below reflects the funding sources:

Description	Approved Budget 2017/18	Adjustments Budget 2017/18	Variance
	R	R	R
Revenue By Source			
Property rates	160,564,962	160,564,962	-
Total Service Charges	370,093,652	370,093,652	-
Service charges - electricity revenue	230,405,150	230,405,150	-
Service charges - water revenue	58,871,483	58,871,483	-
Service charges - sanitation revenue	40,622,422	40,622,422	-
Service charges - refuse revenue	27,412,364	27,412,364	-
Service charges - environmental management	12,782,233	12,782,233	-
Rental of facilities and equipment	1,309,450	1,774,142	464,692
Interest earned - external investments	7,194,922	7,404,934	210,012
Interest earned - outstanding debtors	8,939,200	8,939,200	-
Fines	3,761,009	3,962,443	201,434
Licences and permits	11,772,883	12,275,879	502,996
Transfers recognised - operational	114,218,922	113,664,015	-554,907
Other revenue	6,484,211	10,347,113	3,862,902
Profit on Disposal	-	-	-
Total Revenue (excluding capital transfers and contributions)	684,339,210	689,026,355	4,687,145

2.2.1.2 Reconciliation showing that operating and capital expenditure is funded in accordance with section 18 of the MFMA

Description	Current Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
Cash and investments available				
Cash/cash equivalents at the year end	60 014	(10 263)	(10 263)	49 750
Other current investments > 90 days	-	-	-	-
Non-current assets - Investments	-	-	-	-
Cash and investments available:	60 014	(10 263)	(10 263)	49 750
Applications of cash and investments				
Unspent conditional transfers	-	-	-	-
Unspent borrowing			-	-
Statutory requirements			-	-
Other working capital requirements	31 618	1 633	1 633	33 252
Other provisions	2 268		-	2 268
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-
Total Application of cash and Investments:	33 886	1 633	1 633	35 519
Surplus(shortfall)	26 128	(11 896)	(11 896)	14 231

2.2.2 Adjustments to estimated collection levels

The 2017/18 Original Operating Budget was based on a debtors' collection rate of 94%. This debtors' collection rate in the 2017/18 Adjustments Budget, has been adjusted to 90%.

2.2.3 Adjustments related to allocations and grants to the Municipality

2.2.3.1 Adjustments related to capital allocations and grants to the Municipality

No adjustments relating to grant funding, supporting the Municipality's Capital Budget.

2.2.3.2 Adjustments related to allocations and grants to the Municipality

Below the adjustments pertaining to operating allocations and grants:

Supporting Table SB7 Adjustments Budget – transfers and grant receipts

Description	Budget Year 2017/18				
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
RECEIPTS:					
Operating Transfers and Grants					
National Government:	106 951	-	-	-	106 951
Local Government Equitable Share	102 637		-	-	102 637
Finance Management	1 700		-	-	1 700
MIG - Administration Fees	1 614		-	-	1 614
EPWP Incentive	1 000		-	-	1 000
Provincial Government:	4 050	-	(2 000)	(2 000)	2 050
ACIP-Water	2 000		(2 000)	(2 000)	-
Sport and Recreation	2 050		-	-	2 050
District Municipality:	2 500	-	2 163	2 163	4 663
Environmental Health Subsidy	2 500		(147)	(147)	2 353
Fire Services Subsidy	-		1 865	1 865	1 865
Local Development Grant	-		445	445	445
Other grant providers:	718	-	(718)	(718)	-
Skills Development Grant	718		(718)	(718)	-
Total Operating Transfers and Grants	114 219	-	(555)	(555)	113 664
Capital Transfers and Grants					
National Government:	34 660	-	-	-	34 660
Municipal Infrastructure Grant (MIG)	30 660		-	-	30 660
Integrated National Electrification Programme	4 000		-	-	4 000
District Municipality:	-	-	1 000	1 000	1 000
Disaster boreholes grant	-		1 000	1 000	1 000
Total Capital Transfers and Grants	34 660	-	1 000	1 000	35 660
TOTAL RECEIPTS OF TRANSFERS & GRANTS	148 879	-	445	445	149 324

Supporting Table SB8 Adjustments Budget – expenditure on transfers and programmes

Description	Budget Year 2017/18			
	Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands				
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:				
Operating expenditure of Transfers and Grants				
National Government:	106 951	-	-	106 951
Local Government Equitable Share	102 637	-	-	102 637
Finance Management	1 700	-	-	1 700
MIG - Administration Fees	1 614	-	-	1 614
EPWP Incentive	1 000	-	-	1 000
Provincial Government:	4 050	(2 000)	(2 000)	2 050
ACIP-Water	2 000	(2 000)	(2 000)	-
Sport and Recreation	2 050	-	-	2 050
District Municipality:	2 500	2 163	2 163	4 663
Environmental Health Subsidy	2 500	(147)	(147)	2 353
Local Development Grant	-	445	445	445
Fire Services Subsidy	-	1 865	1 865	1 865
Other grant providers:	718	(718)	(718)	-
Skills Development Grant	718	(718)	(718)	-
Total operating expenditure of Transfers and Grants:	114 219	(555)	(555)	113 664
Capital expenditure of Transfers and Grants				
National Government:	34 660	-	-	34 660
Municipal infrastructure Grant (MIG)	30 660	-	-	30 660
Integrated National Electrification Programme	4 000	-	-	4 000
District Municipality:	-	1 000	1 000	1 000
Disaster boreholes grant	-	1 000	1 000	1 000
Total capital expenditure of Transfers and Grants	34 660	1 000	1 000	35 660
Total expenditure of Transfers and Grants	148 879	445	445	149 324

2.3 Adjustments to expenditure on allocations and grant programmes

2.3.1 The adjustments made to planned capital expenditure of allocations and grants received

The adjustments made to planned capital expenditure, including the capital projects in question, are reflected in Annexure "A".

2.4 Adjustments to Councillors and Employee benefits

Below is a summary of the adjustments made to Councillors' Remuneration and Employee Related Costs:

Description	Original Budget 2017/18	Adjustments Budget 2017/18	Variance
	R	R	R
Employee Related Costs	256,021,843	249,044,490	-6,977,353
Councillors' Remuneration	11,725,190	12,110,618	385,428

2.5 Adjustments to Service Delivery and Budget Implementation Plan (SDBIP)

In accordance with the MFMA, it should be noted that adjustments to the service delivery targets and performance indicators in the 2017/18 SDBIP will be considered, following the approval by Council of the 2017/18 Adjustments Budget.

2.6 Adjustments to Capital Expenditure

Annexure "B" contains a listing of all the adjusted capital programmes and projects of the Municipality, which are aligned to the Integrated Development Plan of the Municipality.

2.7 Municipal Manager's Quality Certification

I CHARL DU PLESSIS Municipal Manager of the Kouga Local Municipality, hereby certify that the Adjustments 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 Adjustments budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name CHARL DU PLESSIS

Municipal Manager of Kouga Local Municipality

Signature 

Date 29/02/2018