# 2015/16 ADJUSTMENTS BUDGET OF

# KOUGA LOCAL MUNICIPALITY

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## PART 1 – 2015/16 ADJUSTMENTS BUDGET

### 1.1. Executive Mayor's Report

#### 1.1.1. Summary of reasons for the 2015/16 Adjustments Budget

In accordance with section 28 of the Municipal Finance Management 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 2015/16 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 2015/16 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 2014/15 financial year.

1.1.2. The Executive Mayor recommends that the Council approves the 2015/16 Adjustments Budget.

## 1.2. 2015/16 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 56 of 2003, approves the 2015/16 Adjustments Budget as set-out in the following tables:

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## 1.3. Executive Summary

The 2015/16 Adjustments Budget amounts to R 748,270 million, comprising of R 643,764 million for the Operating Budget and R 104,506 million for the Capital Budget. The Operating Adjustments Budget reflects a reduction of R 45,480 million, compared to the originally approved 2015/16 Operating Budget of R 689,244 million, whilst the Capital Adjustments Budget reflects an increase of R 40,936 million, compared to the originally approved budget of R 63,570 million.

The decrease in the Operating Budget of R 45,480 million is made up as follows:

| | |
|---|---|
| Decrease in Councillors' Remuneration | R 1,395 million |
| Decrease in Debt Impairment | R 24,039 million |
| Decrease in Finance Charges | R 10,557 million |
| Decrease in Bulk Purchases | R 11,234 million |
| Decrease in General Expenses | R 5,730 million |
| **Total Expenditure Decreases** | **R 52,955 million** |
| Increase in Contracted Services | R 2,325 million |
| Increase in Employee Related Costs | R 5,150 million |
| **Net Expenditure Decrease** | **R 45,480 million** |

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

**Capital Expenditure by Funding Source**

| | 2015/16 Original Budget | 2015/16 Adjustments Budget | Variance |
|---|---|---|---|
| | R | R | R |
| **Total Capital Budget** | **63,570,000** | **104,506,300** | **40,936,300** |
| **Funded as follows:** | | | |
| Grant funding | 33,360,000 | 80,800,000 | 47,440,000 |
| Internal funding | 30,210,000 | 23,706,300 | (6,503,700) |
| **Total** | **63,570,000** | **104,506,300** | **40,936,300** |

The increase in the capital grant funding is attributable to the following grants:

| | |
|---|---|
| Accelerated Community Infrastructure Projects Grant | R 8,890,000 |
| Provincial Department of Human Settlements – Infrastructure Grant | R 38,000,000 |
| Provincial Department of Water Affairs Grant | R 550,000 |
| Net increase | **R 47,440,000** |

The reduction in internal funding is mainly attributable to certain projects, being completed over two financial years, with completion now occurring in the 2016/7 financial year.

A provision of R 27,981 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 93.5%.

### 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 2015/16 Adjustments Budget to be considered for approval by Council. Each table is accompanied by explanatory notes

## Table B1: Adjustments Budget Summary

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Financial Performance | | | | | | |
| Property rates | 146 960 | (10 174) | (10 174) | 136 786 | 144 856 | 152 968 |
| Service charges | 368 095 | (32 880) | (32 880) | 335 215 | 354 993 | 374 872 |
| Investment revenue | 2 078 | 907 | 907 | 2 984 | 3 161 | 3 338 |
| Transfers recognised - operational | 92 151 | (1 068) | (1 068) | 91 083 | 93 892 | 102 789 |
| Other own revenue | 29 456 | (5 902) | (5 902) | 23 554 | 24 944 | 26 341 |
| **Total Revenue (excluding capital transfers and contributions)** | **638 741** | **(49 118)** | **(49 118)** | **589 623** | **621 846** | **660 308** |
| Employee costs | 212 437 | 5 150 | 5 150 | 217 587 | 230 425 | 243 328 |
| Remuneration of councillors | 11 678 | (1 395) | (1 395) | 10 283 | 10 890 | 11 500 |
| Depreciation & asset impairment | 80 714 | – | – | 80 714 | 85 476 | 90 263 |
| Finance charges | 16 112 | (10 557) | (10 557) | 5 555 | 5 882 | 6 212 |
| Materials and bulk purchases | 241 063 | (16 323) | (16 323) | 224 740 | 237 999 | 251 327 |
| Transfers and grants | – | – | – | – | – | – |
| Other expenditure | 127 241 | (22 355) | (22 355) | 104 886 | 111 074 | 117 294 |
| ***Total Expenditure*** | **689 244** | **(45 480)** | **(45 480)** | **643 764** | **681 746** | **719 924** |
| **Surplus/(Deficit)** | (50 504) | (3 637) | (3 637) | (54 141) | (59 901) | (59 616) |
| Transfers recognised - capital | – | 80 800 | 80 800 | 80 800 | 41 913 | 43 582 |
| Contributions recognised - capital & contributed assets | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – |
| **Surplus/ (Deficit) for the year** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |
| **Capital expenditure & funds sources** | | | | | | |
| **Capital expenditure** | 63 570 | 40 936 | 40 936 | 104 506 | 51 713 | 43 582 |
| Transfers recognised - capital | 33 360 | 47 440 | 47 440 | 80 800 | 41 913 | 43 582 |
| Public contributions & donations | – | – | – | – | – | – |
| Borrowing | – | – | – | – | – | – |
| Internally generated funds | 30 210 | (6 504) | (6 504) | 23 706 | 9 800 | – |
| **Total sources of capital funds** | **63 570** | **40 936** | **40 936** | **104 506** | **51 713** | **43 582** |
| **Financial position** | | | | | | |
| Total current assets | 86 234 | 33 495 | 33 495 | 119 730 | 113 835 | 115 888 |
| Total non current assets | 2 649 759 | (173 046) | (173 046) | 2 476 713 | 2 481 522 | 2 477 959 |
| Total current liabilities | 144 257 | (524) | (524) | 143 732 | 139 067 | 147 214 |
| Total non current liabilities | 159 543 | (11 218) | (11 218) | 148 325 | 141 248 | 140 660 |
| **Community wealth/Equity** | **2 432 193** | **(127 807)** | **(127 807)** | **2 304 386** | **2 315 042** | **2 305 973** |

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| **R thousands** | | | | | | |
| **Cash flows** | | | | | | |
| Net cash from (used) operating | 63 570 | 43 802 | 43 802 | 107 372 | 68 908 | 76 655 |
| Net cash from (used) investing | (63 570) | (40 936) | (40 936) | (104 506) | (51 713) | (43 582) |
| Net cash from (used) financing | – | (15 456) | (15 456) | (15 456) | (20 756) | (21 437) |
| **Cash/cash equivalents at the year end** | **(0)** | **27 092** | **27 092** | **27 092** | **20 897** | **32 532** |
| **Cash backing/surplus reconciliation** | | | | | | |
| Cash and investments available | 10 000 | 17 092 | 17 092 | 27 092 | 28 690 | 30 306 |
| Application of cash and investments | 46 064 | (32 433) | (32 433) | 13 631 | 20 638 | 25 881 |
| **Balance - surplus (shortfall)** | **(36 064)** | **49 525** | **49 525** | **13 460** | **8 052** | **4 425** |
| **Asset Management** | | | | | | |
| Asset register summary (WDV) | 64 350 | 2 350 386 | 2 350 386 | 2 414 736 | 2 415 888 | 2 408 649 |
| Depreciation & asset impairment | 80 714 | – | – | 80 714 | 85 476 | 90 263 |
| Renewal of Existing Assets | – | – | – | – | – | – |
| Repairs and Maintenance | 40 195 | (5 090) | (5 090) | 35 105 | 37 176 | 39 258 |
| **Free services** | | | | | | |
| Cost of Free Basic Services provided | 18 179 | – | – | 18 179 | 19 160 | 20 195 |
| Revenue cost of free services provided | 36 709 | – | – | 36 709 | 37 076 | 37 447 |
| **Households below minimum service level** | | | | | | |
| Water: | – | – | – | – | – | – |
| Sanitation/sewerage: | 5 | – | – | 5 | 5 | 5 |
| Energy: | – | – | – | – | – | – |
| Refuse: | 16 | – | – | 16 | 16 | 16 |

## 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 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Revenue - Standard | | | | | | |
| *Governance and administration* | **241 451** | **(14 053)** | **(14 053)** | **227 398** | **241 039** | **258 176** |
| Executive and council | – | 100 | 100 | 100 | 106 | 112 |
| Budget and treasury office | 240 876 | (14 358) | (14 358) | 226 518 | 240 107 | 257 192 |
| Corporate services | 575 | 205 | 205 | 780 | 826 | 872 |
| *Community and public safety* | **20 413** | **(2 151)** | **(2 151)** | **18 261** | **19 339** | **20 422** |
| Community and social services | 8 829 | (694) | (694) | 8 135 | 8 615 | 9 097 |
| Sport and recreation | 669 | (656) | (656) | 13 | 14 | 15 |
| Public safety | 10 914 | (801) | (801) | 10 113 | 10 710 | 11 310 |
| Housing | – | – | – | – | – | – |
| Health | – | – | – | – | – | – |
| *Economic and environmental services* | **21 471** | **(2 667)** | **(2 667)** | **18 804** | **19 913** | **21 028** |
| Planning and development | 7 014 | (2 667) | (2 667) | 4 347 | 4 604 | 4 861 |
| Road transport | – | – | – | – | – | – |
| Environmental protection | 14 457 | (1) | (1) | 14 456 | 15 309 | 16 167 |
| *Trading services* | **355 406** | **50 554** | **50 554** | **405 959** | **383 468** | **404 264** |
| Electricity | 232 429 | (14 554) | (14 554) | 217 875 | 233 598 | 246 120 |
| Water | 54 836 | 43 568 | 43 568 | 98 404 | 53 971 | 56 994 |
| Waste water management | 40 236 | 26 514 | 26 514 | 66 750 | 71 615 | 75 507 |
| Waste management | 27 905 | (4 975) | (4 975) | 22 930 | 24 283 | 25 643 |
| *Other* | – | – | – | – | – | – |
| **Total Revenue - Standard** | **638 741** | **31 682** | **31 682** | **670 423** | **663 758** | **703 890** |
| | | | | | | |
| Expenditure - Standard | | | | | | |
| *Governance and administration* | **124 367** | **3 464** | **3 464** | **127 831** | **135 373** | **142 954** |
| Executive and council | 30 530 | (801) | (801) | 29 729 | 31 483 | 33 246 |
| Budget and treasury office | 53 820 | (2 441) | (2 441) | 51 379 | 54 410 | 57 457 |
| Corporate services | 40 016 | 6 707 | 6 707 | 46 723 | 49 480 | 52 250 |
| *Community and public safety* | **88 352** | **(5 646)** | **(5 646)** | **82 706** | **87 586** | **92 490** |
| Community and social services | 49 705 | (5 636) | (5 636) | 44 070 | 46 670 | 49 283 |
| Sport and recreation | 593 | 37 | 37 | 630 | 667 | 705 |
| Public safety | 33 897 | 729 | 729 | 34 626 | 36 669 | 38 723 |
| Housing | 4 156 | (777) | (777) | 3 380 | 3 579 | 3 780 |
| Health | – | – | – | – | – | – |
| *Economic and environmental services* | **100 935** | **(4 128)** | **(4 128)** | **96 807** | **102 519** | **108 260** |

| Standard Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Planning and development | 88 132 | (1 857) | (1 857) | 86 275 | 91 365 | 96 481 |
| Road transport | – | – | – | – | – | – |
| Environmental protection | 12 803 | (2 271) | (2 271) | 10 533 | 11 154 | 11 779 |
| ***Trading services*** | **375 590** | **(39 170)** | **(39 170)** | **336 420** | **356 269** | **376 220** |
| Electricity | 234 329 | (24 833) | (24 833) | 209 495 | 221 856 | 234 280 |
| Water | 61 681 | (5 482) | (5 482) | 56 200 | 59 515 | 62 848 |
| Waste water management | 42 709 | (4 723) | (4 723) | 37 987 | 40 228 | 42 481 |
| Waste management | 36 871 | (4 133) | (4 133) | 32 738 | 34 670 | 36 611 |
| ***Other*** | – | – | – | – | – | – |
| **Total Expenditure - Standard** | **689 244** | **(45 480)** | **(45 480)** | **643 764** | **681 746** | **719 924** |
| **Surplus/ (Deficit) for the year** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |

**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 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| | | | | | | |
| R thousands | | | | | | |
| **Revenue by Vote** | | | | | | |
| Vote 1 - Executive & Council | – | 100 | 100 | 100 | 106 | 112 |
| Vote 2 - Financial Services | 240 876 | (14 350) | (14 350) | 226 526 | 240 115 | 257 201 |
| Vote 3 - Administration, Monitoring & Evaluation | 1 455 | (1 228) | (1 228) | 227 | 240 | 254 |
| Vote 4 - Led, Tourism & Creative Industries | (60) | 160 | 160 | 100 | 106 | 112 |
| Vote 5 - Infrastructure, Planning & Development | 333 694 | 54 128 | 54 128 | 387 821 | 364 259 | 383 980 |
| Vote 6 - Social Services | 62 775 | (7 127) | (7 127) | 55 648 | 58 932 | 62 232 |
| **Total Revenue by Vote** | **638 741** | **31 682** | **31 682** | **670 423** | **663 758** | **703 890** |
| | | | | | | |
| **Expenditure by Vote** | | | | | | |
| Vote 1 - Executive & Council | 30 530 | (801) | (801) | 29 729 | 31 483 | 33 246 |
| Vote 2 - Financial Services | 59 716 | (1 553) | (1 553) | 58 163 | 61 594 | 65 044 |
| Vote 3 - Administration, Monitoring & Evaluation | 28 886 | 2 672 | 2 672 | 31 559 | 33 420 | 35 292 |
| Vote 4 - Led, Tourism & Creative Industries | 8 890 | 553 | 553 | 9 443 | 10 000 | 10 560 |
| Vote 5 - Infrastructure, Planning & Development | 429 132 | (36 859) | (36 859) | 392 274 | 415 418 | 438 681 |
| Vote 6 - Social Services | 132 089 | (9 492) | (9 492) | 122 597 | 129 830 | 137 101 |
| **Total Expenditure by Vote** | **689 244** | **(45 480)** | **(45 480)** | **643 764** | **681 746** | **719 924** |
| **Surplus/ (Deficit) for the year** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |

### 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 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| **R thousands** | | | | | | |
| **Revenue By Source** | | | | | | |
| Property rates | 146 960 | (10 174) | (10 174) | 136 786 | 144 856 | 152 968 |
| Property rates - penalties & collection charges | | | – | – | | |
| Service charges - electricity revenue | 232 429 | (21 288) | (21 288) | 211 141 | 223 598 | 236 120 |
| Service charges - water revenue | 54 836 | (3 872) | (3 872) | 50 964 | 53 971 | 56 994 |
| Service charges - sanitation revenue | 40 236 | (2 746) | (2 746) | 37 490 | 39 702 | 41 925 |
| Service charges - refuse revenue | 27 905 | (4 975) | (4 975) | 22 930 | 24 283 | 25 643 |
| Service charges - other | 12 689 | | – | 12 689 | 13 438 | 14 191 |
| Rental of facilities and equipment | 1 398 | (847) | (847) | 551 | 584 | 616 |
| Interest earned - external investments | 2 078 | 907 | 907 | 2 984 | 3 161 | 3 338 |
| Interest earned - outstanding debtors | 6 246 | (2 531) | (2 531) | 3 715 | 3 934 | 4 154 |
| Dividends received | – | | – | – | – | – |
| Fines | 1 655 | 742 | 742 | 2 396 | 2 538 | 2 680 |
| Licences and permits | 10 302 | (1 780) | (1 780) | 8 522 | 9 025 | 9 530 |
| Agency services | – | | – | – | – | – |
| Transfers recognised - operating | 92 151 | (1 068) | (1 068) | 91 083 | 93 892 | 102 789 |
| Other revenue | 9 855 | (1 486) | (1 486) | 8 370 | 8 863 | 9 360 |
| Gains on disposal of PPE | – | | – | – | | |
| **Total Revenue (excluding capital transfers and contributions)** | **638 741** | **(49 118)** | **(49 118)** | **589 623** | **621 846** | **660 308** |
| | | | | | | |
| **Expenditure By Type** | | | | | | |
| Employee related costs | 212 437 | 5 150 | 5 150 | 217 587 | 230 425 | 243 328 |
| Remuneration of councillors | 11 678 | (1 395) | (1 395) | 10 283 | 10 890 | 11 500 |
| Debt impairment | 52 021 | (24 039) | (24 039) | 27 981 | 29 632 | 31 291 |
| Depreciation & asset impairment | 80 714 | – | – | 80 714 | 85 476 | 90 263 |
| Finance charges | 16 112 | (10 557) | (10 557) | 5 555 | 5 882 | 6 212 |
| Bulk purchases | 200 868 | (11 234) | (11 234) | 189 634 | 200 823 | 212 069 |
| Other materials | 40 195 | (5 090) | (5 090) | 35 105 | 37 176 | 39 258 |
| Contracted services | 11 069 | 2 325 | 2 325 | 13 393 | 14 184 | 14 978 |
| Transfers and grants | – | | – | – | | |

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| | | | | | | |
| Other expenditure | 64 151 | (640) | (640) | 63 511 | 67 259 | 71 025 |
| Loss on disposal of PPE | – | | – | – | | |
| **Total Expenditure** | **689 244** | **(45 480)** | **(45 480)** | **643 764** | **681 746** | **719 924** |
| | | | | | | |
| **Surplus/(Deficit)** | **(50 504)** | **(3 637)** | **(3 637)** | **(54 141)** | **(59 901)** | **(59 616)** |
| Transfers recognised - capital | | 80 800 | 80 800 | 80 800 | 41 913 | 43 582 |
| Contributions recognised - capital | | | – | – | | |
| Contributed assets | | | – | – | | |
| **Surplus/(Deficit) before taxation** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |
| Taxation | | | – | – | | |
| **Surplus/(Deficit) after taxation** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |
| Attributable to minorities | | | – | – | | |
| **Surplus/(Deficit) attributable to municipality** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |
| Share of surplus/ (deficit) of associate | | | – | – | | |
| **Surplus/ (Deficit) for the year** | **(50 504)** | **77 163** | **77 163** | **26 659** | **(17 988)** | **(16 034)** |

**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 589,623 million in the 2015/16 Adjustments Budget, compared to the amount of R 638,741 million in the original 2015/16 Budget. This represents a decrease of R 49,118 million or 7.69%.

3. The significant variations in revenue, compared to the 2015/16 original budget are as follows:

### 3.1 Property Rates

Property rates decreased by R 10,174 million, compared to the 2015/16 original budget. The main reason for the decrease is due to a supplementary valuation roll being implemented, subsequent to the approval of the 2015/16 original budget.

### 3.2 Service Charges

Service charges decreased by R32,880 million, compared to the 2015/16 original budget.

The net decrease is made up as follows:

| | R'000 |
|---|---|
| Decrease in water revenue | 3,872 |
| Decrease in sanitation revenue | 2,746 |
| Decrease in electricity revenue | 21,288 |
| Decrease in refuse revenue | 4,975 |
| **Total decrease in service charges** | **32,880** |

The decrease in water, sanitation and electricity service charges is mainly attributable to lower consumption patterns than initially anticipated in the 2015/16 original budget.

The decrease in refuse service charges is mainly due to more indigent subsidies being approved than initially anticipated in the 2015/16 original budget. The 2015/16 original budget included an amount of R6,741 million for indigent subsidies, whilst the 2015/16 adjustments budget includes an amount of R11,501 million for indigent subsidies.

### 3.3 Interest Earned – Outstanding debtors

Interest earned on outstanding debtors decreased by R2,531 million, compared to the 2015/16 original budget. Interest is influenced by the extent of outstanding debtors.

### 3.4 Rental of Facilities and Equipment

Rental of facilities decreased by R847 000, compared to the 2015/16 original budget. Rental of facilities and equipment relates to the rental of municipal caravan parks, municipal houses/buildings and community halls.

### 3.5 Interest Earned – External Investments

Interest earned on external investments increased by R907 000, compared to the 2015/16 original budget. Interest earnings are influenced by the extent of the municipality's investment portfolio.

### 3.6 Fines

Fines increased by R742 000, compared to the 2015/16 original budget. The fines revenue largely relates to traffic fines collection, which has seen an improvement, compared to the original budgeted amount.

### 3.7 Licences & Permits

Licence and permits decreased by R 1,780 million, compared to the 2015/16 original budget. Licences and permits are influenced by the extent of vehicle licencing and registration.

## Expenditure

4. Total expenditure amounts to R 643,764 million in the 2015/16 Adjustments Budget, compared to the amount of R 689,244 million in the original 2015/16 Budget. This represents a decrease of R 45,480 million or 6,60%.

5. The significant variations in expenditure, compared to the 2015/16 original budget, are as follows:

### 5.1 Debt Impairment

Debt impairment decreased by R 24,039 million, compared to the 2015/16 original budget. This decrease is mainly attributable to a reduction in property rates and service charges and an anticipated increase in the debtors' collection rate, when compared to the 2015/16 original budget.

The 2015/16 adjustments budget has been based on a debtors' collection rate of 93,5%, in line with current collection trends, compared to a debtors' collection rate of 90% in the 2015/16 original budget.

### 5.2 Finance Charges

Finance charges decreased by R 10,557 million, compared to the 2015/16 original budget. This decrease relates to loan capital repayments being incorrectly included in this expenditure category.

## 5.3 Bulk Purchases

### 5.3.1 Electricity Bulk Purchases

Electricity bulk purchases decreased by R 12,462 million, compared to the 2015/6 original budget. This decrease is attributable to a decreased budget provision being required for electricity bulk purchases, in line with current expenditure trends.

### 5.3.2 Water Bulk Purchases

Water bulk purchases increased by R 1,228 million, compared to the 2015/16 original budget. This increase is attributable to an increased budget provision being required for water bulk purchases, in line with current expenditure trends.

## 5.4 Contracted Services

Contracted services increased by R 2,325 million, compared to the 2015/16 original budget. This is attributable to vehicle leases being classified as operating leases, compared to previously being classified as finance leases.

## 5.5 Employee Related Costs

Employee related costs increased by R 5,150 million, compared to the 2015/6 original budget. This increase is mainly attributable to the Council decision of 31 August 2015, to revert to the Van De Merwe system for the grading of positions.

## 5.6 Remuneration of Councillors

Remuneration of councillors decreased by R 1,395 million, compared to the 2015/16 original budget. The 2015/16 adjustments budget is based on the latest Upper Limits Gazette.

## 5.7 Repairs and maintenance

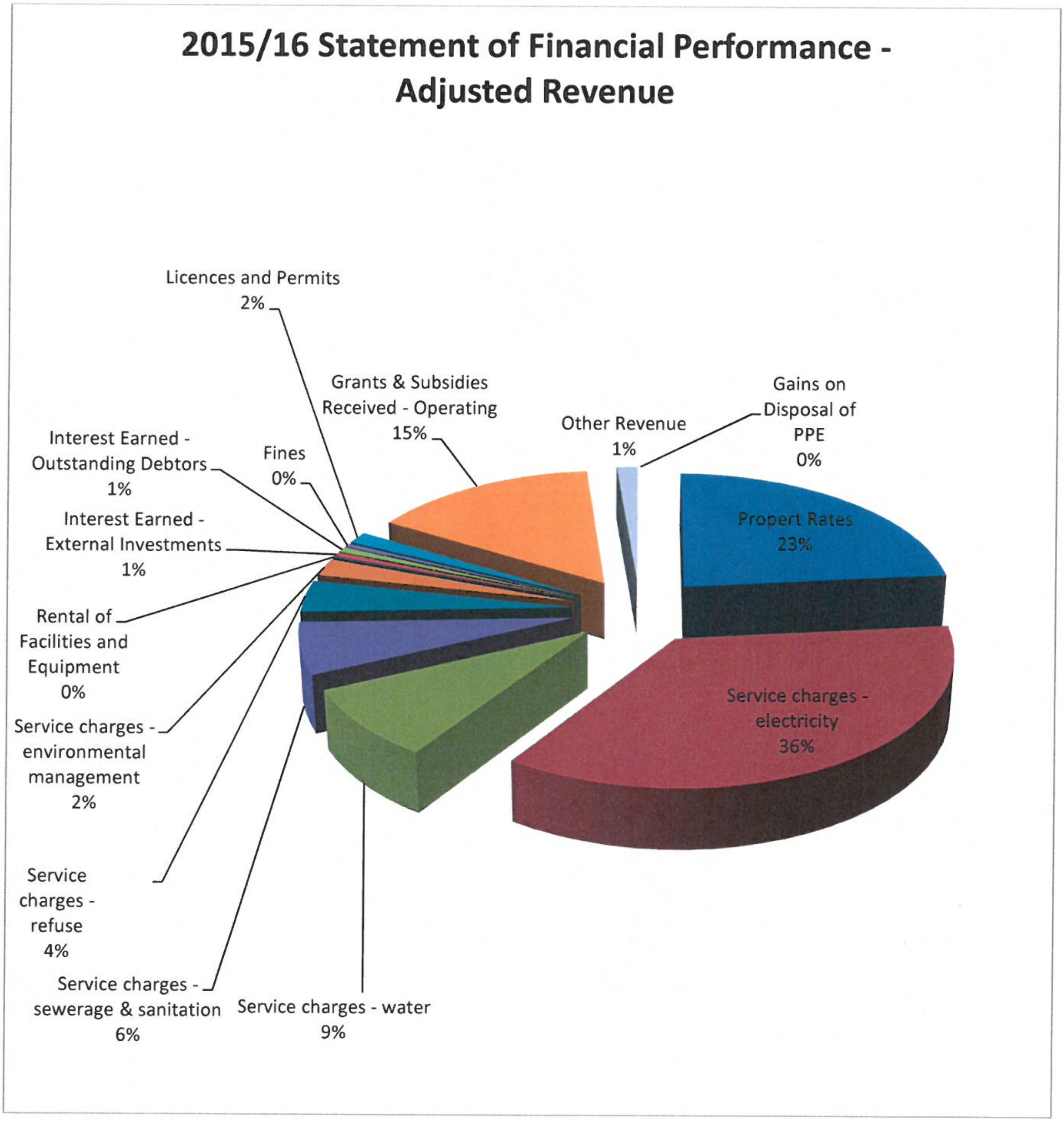
Repairs and maintenance decreased by R 5,090 million, compared to the 2015/16 original budget.

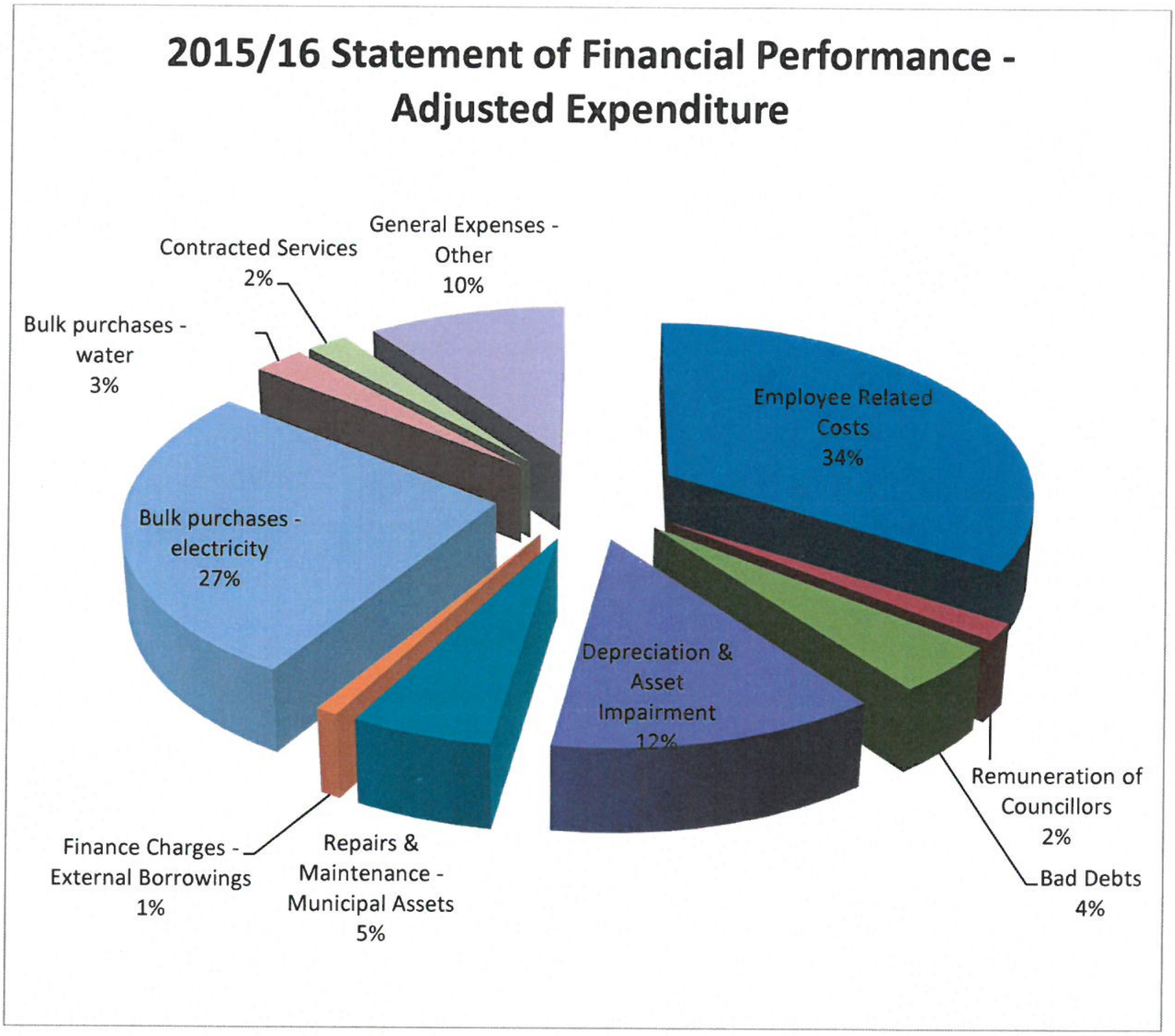
The decrease is mainly attributable to certain budget allocations being transferred to the capital budget to replace municipal assets, instead of repairing it. The following budget allocation was transferred to the capital budget:

- Waste water infrastructure refurbishment R 2,800,000

Furthermore, underspending is anticipated in repairs and maintenance, due to the lack of proper repairs and maintenance plans.

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




2015/16 Statement of Financial Performance - Adjusted Expenditure
General Expenses - Other 10%
Contracted Services 2%
Bulk purchases - water 3%
Employee Related Costs 34%
Bulk purchases - electricity 27%
Depreciation & Asset Impairment 12%
Remuneration of Councillors 2%
Finance Charges - External Borrowings 1%
Repairs & Maintenance - Municipal Assets 5%
Bad Debts 4%

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

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| | | | | | | |
| R thousands | | | | | | |
| Capital expenditure - Vote | | | | | | |
| Multi-year expenditure *to be adjusted* | | | | | | |
| Single-year expenditure *to be adjusted* | | | | | | |
| Vote 1 - Executive & Council | 500 | – | – | 500 | – | – |
| Vote 2 - Financial Services | 145 | 270 | 270 | 415 | – | – |
| Vote 3 - Administration, Monitoring & Evaluation | – | 179 | 179 | 179 | – | – |
| Vote 4 - Led, Tourism & Creative Industries | 1 563 | (1 389) | (1 389) | 174 | – | – |
| Vote 5 - Infrastructure, Planning & Development | 42 608 | 50 286 | 50 286 | 92 894 | 45 613 | 43 582 |
| Vote 6 - Social Services | 18 754 | (8 410) | (8 410) | 10 344 | 6 100 | – |
| **Capital single-year expenditure sub-total** | **63 570** | **40 936** | **40 936** | **104 506** | **51 713** | **43 582** |
| **Total Capital Expenditure - Vote** | **63 570** | **40 936** | **40 936** | **104 506** | **51 713** | **43 582** |
| | | | | | | |
| Capital Expenditure - Standard | | | | | | |
| ***Governance and administration*** | **645** | **449** | **449** | **1 094** | **–** | **–** |
| Executive and council | 500 | – | – | 500 | | |
| Budget and treasury office | 115 | 270 | 270 | 385 | | |
| Corporate services | 30 | 179 | 179 | 209 | | |
| ***Community and public safety*** | **15 689** | **(6 220)** | **(6 220)** | **9 469** | **6 100** | **–** |
| Community and social services | 2 115 | (70) | (70) | 2 045 | | |
| Sport and recreation | 11 149 | (5 500) | (5 500) | 5 649 | 5 500 | |
| Public safety | 2 425 | (650) | (650) | 1 775 | 600 | |
| Housing | – | – | – | – | | |
| Health | – | – | – | – | | |
| ***Economic and environmental services*** | **4 628** | **(3 576)** | **(3 576)** | **1 052** | **–** | **–** |
| Planning and development | 1 463 | (1 386) | (1 386) | 77 | | |
| Road transport | – | – | – | – | | |
| Environmental protection | 3 165 | (2 190) | (2 190) | 975 | | |
| ***Trading services*** | **42 608** | **50 283** | **50 283** | **92 891** | **45 613** | **43 582** |
| Electricity | 10 100 | (193) | (193) | 9 907 | 10 000 | 10 000 |
| Water | – | 47 440 | 47 440 | 47 440 | | |
| Waste water management | 32 508 | 3 036 | 3 036 | 35 544 | 35 613 | 33 582 |

| | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| Description | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Waste management | – | – | – | – | | |
| *Other* | | | – | – | | |
| **Total Capital Expenditure - Standard** | **63 570** | **40 936** | **40 936** | **104 506** | **51 713** | **43 582** |
| | | | | | | |
| **Funded by:** | | | | | | |
| National Government | 33 360 | – | – | 33 360 | 41 913 | 43 582 |
| Provincial Government | | 47 440 | 47 440 | 47 440 | – | – |
| District Municipality | | | – | – | | |
| Other transfers and grants | | | – | – | | |
| **Total Capital transfers recognised** | **33 360** | **47 440** | **47 440** | **80 800** | **41 913** | **43 582** |
| **Public contributions & donations** | | | – | – | | |
| **Borrowing** | | | – | – | | |
| **Internally generated funds** | 30 210 | (6 504) | (6 504) | 23 706 | 9 800 | – |
| **Total Capital Funding** | **63 570** | **40 936** | **40 936** | **104 506** | **51 713** | **43 582** |

**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.

2. The increase in the capital grant funding is mainly attributable to the ACIP (R 8,890 million) and DOHS (R 38 million) funding.

## Table B6 – Adjustments Budget Financial Position

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash | | 3 000 | 3 000 | 3 000 | 3 177 | 3 364 |
| Call investment deposits | 10 000 | 14 092 | 14 092 | 24 092 | 25 513 | 26 942 |
| Consumer debtors | 59 006 | (12 143) | (12 143) | 46 863 | 36 670 | 34 392 |
| Other debtors | 12 658 | 28 538 | 28 538 | 41 196 | 43 627 | 46 070 |
| Current portion of long-term receivables | | 8 | 8 | 8 | 8 | 9 |
| Inventory | 4 571 | – | – | 4 571 | 4 840 | 5 111 |
| **Total current assets** | **86 234** | **33 495** | **33 495** | **119 730** | **113 835** | **115 888** |
| | | | | | | |
| **Non current assets** | | | | | | |
| Long-term receivables | 192 | (39) | (39) | 153 | 162 | 171 |
| Investments | – | | – | – | | |
| Investment property | 64 175 | (2 351) | (2 351) | 61 824 | 65 472 | 69 138 |
| Investment in Associate | | | – | – | | |
| Property, plant and equipment | 2 585 217 | (170 676) | (170 676) | 2 414 541 | 2 415 694 | 2 408 455 |
| Agricultural | | | – | – | | |
| Biological | | | – | – | | |
| Intangible | 175 | 20 | 20 | 195 | 195 | 195 |
| Other non-current assets | | | – | – | | |
| **Total non current assets** | **2 649 759** | **(173 046)** | **(173 046)** | **2 476 713** | **2 481 522** | **2 477 959** |
| **TOTAL ASSETS** | **2 735 993** | **(139 550)** | **(139 550)** | **2 596 443** | **2 595 357** | **2 593 847** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| **Current liabilities** | | | | | | |
| Bank overdraft | | | – | – | | |
| Borrowing | 3 379 | 7 805 | 7 805 | 11 185 | 5 756 | 6 437 |
| Consumer deposits | 8 551 | 250 | 250 | 8 802 | 9 321 | 9 843 |
| Trade and other payables | 100 231 | (4 782) | (4 782) | 95 449 | 94 024 | 99 289 |
| Provisions | 32 095 | (3 798) | (3 798) | 28 297 | 29 967 | 31 645 |
| **Total current liabilities** | **144 257** | **(524)** | **(524)** | **143 732** | **139 067** | **147 214** |

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| R thousands | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| | | | | | | |
| Non current liabilities | | | | | | |
| Borrowing | 53 963 | (4 326) | (4 326) | 49 637 | 36 738 | 30 297 |
| Provisions | 105 580 | (6 892) | (6 892) | 98 688 | 104 510 | 110 363 |
| **Total non current liabilities** | **159 543** | **(11 218)** | **(11 218)** | **148 325** | **141 248** | **140 660** |
| **TOTAL LIABILITIES** | **303 800** | **(11 743)** | **(11 743)** | **292 057** | **280 316** | **287 874** |
| | | | | | | |
| **NET ASSETS** | **2 432 193** | **(127 807)** | **(127 807)** | **2 304 386** | **2 315 042** | **2 305 973** |
| | | | | | | |
| **COMMUNITY WEALTH/EQUITY** | | | | | | |
| Accumulated Surplus/(Deficit) | 2 432 193 | (127 807) | (127 807) | 2 304 386 | 2 315 042 | 2 305 973 |
| Reserves | – | – | – | – | – | – |
| Minorities' interests | | | – | – | | |
| **TOTAL COMMUNITY WEALTH/EQUITY** | **2 432 193** | **(127 807)** | **(127 807)** | **2 304 386** | **2 315 042** | **2 305 973** |

## 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 | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| **R thousands** | | | | | | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | |
| **Receipts** | | | | | | |
| Property rates, penalties & collection charges | 142 595 | (8 239) | (8 239) | 134 356 | 142 283 | 150 251 |
| Service charges | 320 439 | (11 462) | (11 462) | 308 977 | 327 207 | 345 531 |
| Other revenue | 23 210 | 1 030 | 1 030 | 24 241 | 25 671 | 27 109 |
| Government - operating | 92 151 | (1 068) | (1 068) | 91 083 | 93 892 | 102 789 |
| Government - capital | 33 360 | 47 440 | 47 440 | 80 800 | 41 913 | 43 582 |
| Interest | 8 324 | (5 339) | (5 339) | 2 984 | 3 161 | 3 338 |
| **Payments** | | | | | | |
| Suppliers and employees | (540 398) | 10 884 | 10 884 | (529 515) | (560 756) | (592 159) |
| Finance charges | (16 112) | 10 557 | 10 557 | (5 555) | (4 463) | (3 786) |
| Transfers and Grants | | – | – | – | | |
| **NET CASH FROM/(USED) OPERATING ACTIVITIES** | **63 570** | **43 802** | **43 802** | **107 372** | **68 908** | **76 655** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| **Receipts** | | | | | | |
| Proceeds on disposal of PPE | | | – | – | | |
| Decrease (Increase) in non-current debtors | | | – | – | | |
| Decrease (increase) other non-current receivables | | | – | – | | |
| Decrease (increase) in non-current investments | | | – | – | | |
| **Payments** | | | | | | |
| Capital assets | (63 570) | (40 936) | (40 936) | (104 506) | (51 713) | (43 582) |
| **NET CASH FROM/(USED) INVESTING ACTIVITIES** | **(63 570)** | **(40 936)** | **(40 936)** | **(104 506)** | **(51 713)** | **(43 582)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| **Receipts** | | | | | | |
| Short term loans | | | – | – | | |
| Borrowing long term/refinancing | | | – | – | | |
| Increase (decrease) in consumer deposits | | | – | – | | |
| **Payments** | | | | | | |
| Repayment of borrowing | | (15 456) | (15 456) | (15 456) | (20 756) | (21 437) |
| **NET CASH FROM/(USED) FINANCING ACTIVITIES** | **–** | **(15 456)** | **(15 456)** | **(15 456)** | **(20 756)** | **(21 437)** |
| **NET INCREASE/ (DECREASE) IN CASH HELD** | **(0)** | **(12 590)** | **(12 590)** | **(12 590)** | **(3 561)** | **11 635** |
| Cash/cash equivalents at the year begin: | | 39 682 | 39 682 | 39 682 | 24 458 | 20 897 |
| Cash/cash equivalents at the year end: | (0) | 27 092 | 27 092 | 27 092 | 20 897 | 32 532 |

**Explanatory notes to Table B7 – Adjustments Budget 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-flow 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 | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Cash and investments available | | | | | | |
| Cash/cash equivalents at the year end | (0) | 27 092 | 27 092 | 27 092 | 20 897 | 32 532 |
| Other current investments > 90 days | 10 000 | (10 000) | (10 000) | (0) | 7 793 | (2 226) |
| Non current assets - Investments | – | – | – | – | – | – |
| **Cash and investments available:** | **10 000** | **17 092** | **17 092** | **27 092** | **28 690** | **30 306** |
| | | | | | | |
| Applications of cash and investments | | | | | | |
| Unspent conditional transfers | – | 5 689 | 5 689 | 5 689 | – | – |
| Unspent borrowing | | | – | – | | |
| Statutory requirements | | | – | – | | |
| Other working capital requirements | 36 064 | (30 511) | (30 511) | 5 554 | 18 108 | 23 209 |
| Other provisions | | 2 389 | 2 389 | 2 389 | 2 530 | 2 672 |
| Long term investments committed | – | – | – | – | – | – |
| Reserves to be backed by cash/investments | 10 000 | (10 000) | (10 000) | – | – | – |
| **Total Application of cash and investments:** | **46 064** | **(32 433)** | **(32 433)** | **13 631** | **20 638** | **25 881** |
| **Surplus(shortfall)** | **(36 064)** | **49 525** | **49 525** | **13 460** | **8 052** | **4 425** |

**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 2015/16 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 2015/16 Original Budget reflected a funding shortfall of R 36,064 million, whilst the 2015/16 Adjustments Budget reflects a funding surplus of R 13,460 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 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| CAPITAL EXPENDITURE | | | | | | |
| Total New Assets *to be adjusted* | 63 570 | 40 936 | 40 936 | 104 506 | 51 713 | 43 582 |
| *Infrastructure - Road transport* | – | – | – | – | – | – |
| *Infrastructure - Electricity* | 10 100 | (790) | (790) | 9 310 | 10 000 | 10 000 |
| *Infrastructure - Water* | – | 47 440 | 47 440 | 47 440 | – | – |
| *Infrastructure - Sanitation* | 32 508 | 1 036 | 1 036 | 33 544 | 35 613 | 33 582 |
| *Infrastructure - Other* | – | 850 | 850 | 850 | – | – |
| Infrastructure | 42 608 | 48 536 | 48 536 | 91 144 | 45 613 | 43 582 |
| Community | 19 547 | (9 738) | (9 738) | 9 809 | 6 100 | – |
| Other assets | 1 415 | 2 138 | 2 138 | 3 553 | – | – |
| Total Capital Expenditure *to be adjusted* | | | | | | |
| *Infrastructure - Electricity* | 10 100 | (790) | (790) | 9 310 | 10 000 | 10 000 |
| *Infrastructure - Water* | – | 47 440 | 47 440 | 47 440 | – | – |
| *Infrastructure - Sanitation* | 32 508 | 1 036 | 1 036 | 33 544 | 35 613 | 33 582 |
| *Infrastructure - Other* | – | 850 | 850 | 850 | – | – |
| Infrastructure | 42 608 | 48 536 | 48 536 | 91 144 | 45 613 | 43 582 |
| Community | 19 547 | (9 738) | (9 738) | 9 809 | 6 100 | – |
| Other assets | 1 415 | 2 138 | 2 138 | 3 553 | – | – |
| TOTAL CAPITAL EXPENDITURE *to be adjusted* | 63 570 | 40 936 | 40 936 | 104 506 | 51 713 | 43 582 |
| | | | | | | |
| ASSET REGISTER SUMMARY - PPE (WDV) | | | | | | |
| *Infrastructure - Road transport* | | 813 085 | 813 085 | 813 085 | 770 680 | 671 321 |
| *Infrastructure - Electricity* | | 196 471 | 196 471 | 196 471 | 202 026 | 213 339 |
| *Infrastructure - Water* | | 284 564 | 284 564 | 284 564 | 284 564 | 300 500 |
| *Infrastructure - Sanitation* | | 374 146 | 374 146 | 374 146 | 399 333 | 421 696 |
| *Infrastructure - Other* | | 1 346 | 1 346 | 1 346 | 1 346 | 1 421 |
| Infrastructure | – | 1 669 612 | 1 669 612 | 1 669 612 | 1 657 949 | 1 608 277 |
| Community | | 116 814 | 116 814 | 116 814 | 125 444 | 132 469 |
| Heritage assets | | | – | – | | |
| Investment properties | 64 175 | (2 351) | (2 351) | 61 824 | 65 472 | 69 138 |
| Other assets | | 566 291 | 566 291 | 566 291 | 566 829 | 598 572 |
| Intangibles | 175 | 20 | 20 | 195 | 195 | 195 |
| TOTAL ASSET REGISTER SUMMARY - PPE (WDV) | 64 350 | 2 350 386 | 2 350 386 | 2 414 736 | 2 415 888 | 2 408 649 |

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| EXPENDITURE OTHER ITEMS | | | | | | |
| Depreciation & asset impairment | 80 714 | – | – | 80 714 | 85 476 | 90 263 |
| **Repairs and Maintenance by asset class** | **40 195** | **(5 090)** | **(5 090)** | **35 105** | **37 176** | **39 258** |
| *Infrastructure - Road transport* | 4 725 | (25) | (25) | 4 700 | 4 977 | 5 256 |
| *Infrastructure - Electricity* | 8 263 | (3 650) | (3 650) | 4 613 | 4 886 | 5 159 |
| *Infrastructure - Water* | 5 732 | (750) | (750) | 4 982 | 5 276 | 5 571 |
| *Infrastructure - Sanitation* | 3 820 | 354 | 354 | 4 174 | 4 421 | 4 668 |
| *Infrastructure - Other* | 2 039 | (950) | (950) | 1 089 | 1 153 | 1 217 |
| Infrastructure | 24 579 | (5 021) | (5 021) | 19 558 | 20 712 | 21 872 |
| Community | 1 193 | 1 402 | 1 402 | 2 594 | 2 747 | 2 901 |
| Heritage assets | 1 971 | (1 971) | (1 971) | – | – | – |
| Other assets | 12 452 | 501 | 501 | 12 953 | 13 717 | 14 485 |
| **TOTAL EXPENDITURE OTHER ITEMS to be adjusted** | **120 909** | **(5 090)** | **(5 090)** | **115 819** | **122 652** | **129 521** |
| | | | | | | |
| ***Renewal of Existing Assets as % of total capex*** | *0.0%* | | | *0.0%* | *0.0%* | *0.0%* |
| ***Renewal of Existing Assets as % of deprecn"*** | *0.0%* | | | *0.0%* | *0.0%* | *0.0%* |
| ***R&M as a % of PPE*** | *62.5%* | | | *1.5%* | *1.5%* | *1.6%* |
| ***Renewal and R&M as a % of PPE*** | *62.5%* | | | *1.5%* | *1.5%* | *1.6%* |
| | | | | | | |

## 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 2015/16 | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|
| | Original Budget | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| Household service targets | | | | | |
| *Water:* | | | | | |
| Piped water inside dwelling | 8000 | – | 8 | 8000 | 8000 |
| Piped water inside yard (but not in dwelling) | 7000 | – | 7 | 7000 | 7000 |
| Using public tap (at least min.service level) | 2000 | – | 2 | 2000 | 2000 |
| Other water supply (at least min.service level) | 2000 | – | 2 | 2 | 2 |
| *Minimum Service Level and Above sub-total* | 19 | – | 19 | 19 | 19 |
| Using public tap (< min.service level) | | – | – | | |
| Other water supply (< min.service level) | | – | – | | |
| No water supply | | – | – | | |
| *Below Minimum Servic Level sub-total* | – | – | – | – | – |
| **Total number of households** | **19** | **–** | **19** | **19** | **19** |
| *Sanitation/sewerage:* | | | | | |
| Flush toilet (connected to sewerage) | 10000 | – | 10 000 | 10000 | 10000 |
| Flush toilet (with septic tank) | 2000 | – | 2 000 | 2000 | 2000 |
| Chemical toilet | | – | – | | |
| Pit toilet (ventilated) | 2000 | – | 2 000 | 2000 | 2000 |
| Other toilet provisions (> min.service level) | | – | – | | |
| *Minimum Service Level and Above sub-total* | 14 000 | – | 14 000 | 14 000 | 14 000 |
| Bucket toilet | 3000 | – | 3 000 | 3000 | 3000 |
| Other toilet provisions (< min.service level) | 2000 | – | 2 000 | 2000 | 2000 |
| No toilet provisions | | – | – | | |
| *Below Minimum Servic Level sub-total* | 5 000 | – | 5 000 | 5 000 | 5 000 |
| **Total number of households** | **19 000** | **–** | **19 000** | **19 000** | **19 000** |
| *Energy:* | | | | | |
| Electricity (at least min. service level) | | – | – | | |
| Electricity - prepaid (> min.service level) | 16000 | – | 16 000 | 16000 | 16000 |
| *Minimum Service Level and Above sub-total* | 16 000 | – | 16 000 | 16 000 | 16 000 |
| Electricity (< min.service level) | | – | – | | |
| Electricity - prepaid (< min. service level) | | – | – | | |
| Other energy sources | | – | – | | |
| *Below Minimum Servic Level sub-total* | – | – | – | – | – |
| **Total number of households** | 16 000 | – | 16 000 | 16 000 | 16 000 |
| *Refuse:* | | | | | |
| Removed at least once a week (min.service) | | – | – | | |

| Description | Budget Year 2015/16 Original Budget | Budget Year 2015/16 Total Adjusts. | Budget Year 2015/16 Adjusted Budget | Budget Year +1 2016/17 Adjusted Budget | Budget Year +2 2017/18 Adjusted Budget |
|---|---|---|---|---|---|
| | | | | | |
| No rubbish disposal | 16000 | – | 16 000 | 16000 | 16000 |
| *Below Minimum Servic Level sub-total* | 16 000 | – | 16 000 | 16 000 | 16 000 |
| **Total number of households** | **16 000** | **–** | **16 000** | **16 000** | **16 000** |
| | | | | | |
| **Households receiving Free Basic Service** | | | | | |
| Water (6 kilolitres per household per month) | 7101 | – | 7 101 | 7 484 | 7 889 |
| Sanitation (free minimum level service) | 7101 | – | 7 101 | 7 484 | 7 889 |
| Electricity/other energy (50kwh per household per month) | 7101 | – | 7 101 | 7 484 | 7 889 |
| Refuse (removed at least once a week) | 7101 | – | 7 101 | 7 484 | 7 889 |
| | | | | | |
| **Cost of Free Basic Services provided (R'000)** | | | | | |
| Water (6 kilolitres per household per month) | 5 420 | – | 5 420 | 5 713 | 6 022 |
| Sanitation (free sanitation service) | 4 146 | – | 4 146 | 4 370 | 4 606 |
| Electricity/other energy (50kwh per household per month) | 2 478 | – | 2 478 | 2 611 | 2 752 |
| Refuse (removed once a week) | 6 135 | – | 6 135 | 6 466 | 6 815 |
| **Total cost of FBS provided (minimum social package)** | 18 179 | – | 18 179 | 19 160 | 20 195 |
| | | | | | |
| **Highest level of free service provided** | | | | | |
| Property rates (R'000 value threshold) | 85000 | – | 85 000 | 85000 | 85000 |
| Water (kilolitres per household per month) | 6 | – | 6 | 6 | 6 |
| Sanitation (kilolitres per household per month) | | – | – | | |
| Sanitation (Rand per household per month) | | – | – | | |
| Electricity (kw per household per month) | 50 | – | 50 | 50 | 50 |
| Refuse (average litres per week) | 27 | – | 27 | 27 | 27 |
| **Revenue cost of free services provided (R'000)** | | | | | |
| Property rates (R15 000 threshold rebate) | 15 125 | – | 15 125 | 15 277 | 15 429 |
| Property rates (other exemptions, reductions and rebates) | 217 | – | 217 | 219 | 221 |
| Water | 5 713 | – | 5 713 | 5 770 | 5 828 |
| Sanitation | 4 370 | – | 4 370 | 4 413 | 4 458 |
| Electricity/other energy | 2 611 | – | 2 611 | 2 638 | 2 664 |
| Refuse | 6 466 | – | 6 466 | 6 531 | 6 596 |
| Municipal Housing - rental rebates | | – | – | – | – |
| Housing - top structure subsidies | | – | – | – | – |
| Other | 2 206 | – | 2 206 | 2 228 | 2 251 |
| **Total revenue cost of free services provided (total social package)** | **36 709** | **–** | **36 709** | **37 076** | **37 447** |

**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 2015/16 Budget, have been maintained.

## 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 | 2015/16 Original Budget | 2015/16 Adjustments Budget | Variance |
|---|---|---|---|
| **Revenue by Source** | **R** | **R** | |
| Property Rates | 146 959 846 | 136 785 831 | -10 174 015 |
| Total Service Charges | 368 095 261 | 335 215 036 | -32 880 225 |
| Service charges - electricity | 232 428 708 | 211 140 954 | -21 287 754 |
| Service charges - water | 54 836 115 | 50 964 229 | -3 871 886 |
| Service charges - sewerage & sanitation | 40 235 662 | 37 489 942 | -2 745 720 |
| Service charges - refuse | 27 905 361 | 22 930 496 | -4 974 865 |
| Service charges - environmental management | 12 689 415 | 12 689 415 | - |
| Rental of Facilities and Equipment | 1 398 353 | 551 260 | -847 093 |
| Interest Earned - External Investments | 2 077 768 | 2 984 460 | 906 692 |
| Interest Earned - Outstanding Debtors | 6 245 981 | 3 714 979 | -2 531 002 |
| Fines | 1 654 742 | 2 396 451 | 741 710 |
| Licences and Permits | 10 302 345 | 8 522 423 | -1 779 921 |
| Grants & Subsidies Received - Operating | 92 151 087 | 91 083 000 | -1 068 087 |
| Other Revenue | 9 854 919 | 8 369 231 | -1 485 687 |
| Gains on Disposal of PPE | - | - | - |
| **Total Revenue (excluding capital transfers and contributions)** | **638 740 302** | **589 622 672** | **-49 117 630** |

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

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Cash and investments available | | | | | | |
| Cash/cash equivalents at the year end | (0) | 27 092 | 27 092 | 27 092 | 20 897 | 32 532 |
| Other current investments > 90 days | 10 000 | (10 000) | (10 000) | (0) | 7 793 | (2 226) |
| Non current assets - Investments | – | – | – | – | – | – |
| **Cash and investments available:** | **10 000** | **17 092** | **17 092** | **27 092** | **28 690** | **30 306** |
| | | | | | | |
| Applications of cash and investments | | | | | | |
| Unspent conditional transfers | – | 5 689 | 5 689 | 5 689 | – | – |
| Unspent borrowing | | | – | – | | |
| Statutory requirements | | | – | – | | |
| Other working capital requirements | 36 064 | (30 511) | (30 511) | 5 554 | 18 108 | 23 209 |
| Other provisions | | 2 389 | 2 389 | 2 389 | 2 530 | 2 672 |
| Long term investments committed | – | – | – | – | – | – |
| Reserves to be backed by cash/investments | 10 000 | (10 000) | (10 000) | – | – | – |
| **Total Application of cash and investments:** | **46 064** | **(32 433)** | **(32 433)** | **13 631** | **20 638** | **25 881** |
| **Surplus(shortfall)** | **(36 064)** | **49 525** | **49 525** | **13 460** | **8 052** | **4 425** |

## 2.2.2 Adjustments to estimated collection levels

The 2015/16 Original Operating Budget was based on a debtors' collection rate of 90%. The debtors' collection rate has been adjusted in the 2015/16 Adjustments Budget to 93.5%.

## 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

Below is a summarised version of the adjustments relating to grant funding, supporting the Municipality's Capital Budget.

| Capital Expenditure Adjustments Budget by grant funding | | | |
|---|---|---|---|
| Description | 2015/16 Original Budget | Total Adjustments | 2015/16 Adjustments Budget |
| R thousands | R | R | R |
| Funded by: | | | |
| National Government | 33 360 | – | 33 360 |
| Provincial Government | | 47 440 | 47 440 |
| **Total Capital transfers recognised** | **33 360** | **47 440** | **80 800** |

### 2.2.3.2. Adjustments related to allocations and grants to the Municipality

Below the adjustments pertaining to operating and capital allocations and grants:

**Supporting Table SB7 Adjustments Budget – transfers and grant receipts**

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| RECEIPTS: | | | | | | |
| Operating Transfers and Grants | | | | | | |
| **National Government:** | **87 169** | **–** | **–** | **87 169** | **93 892** | **102 789** |
| Local Government Equitable Share | | | – | – | – | – |
| Local Government Equitable Share | 82 099 | | – | 82 099 | 91 310 | 100 056 |
| Finance Management | 1 600 | | – | 1 600 | 1 625 | 1 700 |
| Municipal Systems Improvement | 930 | | – | 930 | 957 | 1 033 |
| EPWP Incentive | 1 000 | | – | 1 000 | – | – |
| Mig Admin Fees | 1 540 | | – | 1 540 | – | – |
| **Provincial Government:** | **2 014** | **–** | **–** | **2 014** | **–** | **–** |
| Library Grant | 2 014 | | – | 2 014 | | |
| **District Municipality:** | **1 600** | **100** | **100** | **1 700** | **–** | **–** |
| *Environmental Health Subsidy* | 1 600 | | – | 1 600 | | |
| *Economic Development Gant* | | 100 | 100 | 100 | | |
| **Other grant providers:** | 1 368 | (1 168) | (1 168) | 200 | – | – |
| *Skills Development Grant* | 1 350 | (1 150) | (1 150) | 200 | | |
| *Jeffreys Bay Wind Farm: Grant* | 18 | (18) | (18) | – | | |
| **Total Operating Transfers and Grants** | **92 151** | **(1 068)** | **(1 068)** | **91 083** | **93 892** | **102 789** |

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| Capital Transfers and Grants | | | | | | |
| **National Government:** | **33 360** | **–** | **–** | **33 360** | **41 913** | **43 582** |
| Municipal Infrastructure Grant (MIG) | 29 260 | | – | 29 260 | 31 913 | 33 582 |
| Integrated National Electrification Programme | 4 100 | | – | 4 100 | 10 000 | 10 000 |
| **Provincial Government:** | **–** | **47 440** | **47 440** | **47 440** | **–** | **–** |
| Department of Water Affairs | | 9 440 | 9 440 | 9 440 | | |
| Department of Human Settlement Grant | | 38 000 | 38 000 | 38 000 | | |
| **Total Capital Transfers and Grants** | **33 360** | **47 440** | **47 440** | **80 800** | **41 913** | **43 582** |
| **TOTAL RECEIPTS OF TRANSFERS & GRANTS** | **125 511** | **46 372** | **46 372** | **171 883** | **135 805** | **146 371** |

## Supporting Table SB8 Adjustments Budget – expenditure on transfers and programmes

| Description | Budget Year 2015/16 | | | | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
|---|---|---|---|---|---|---|
| | Original Budget | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | | | | | | |
| EXPENDITURE ON TRANSFERS AND GRANTS PROGRAM: | | | | | | |
| Operating expenditure of Transfers and Grants | | | | | | |
| **National Government:** | **87 169** | **–** | **–** | **87 169** | **93 892** | **102 789** |
| Local Government Equitable Share | | | – | – | – | – |
| Local Government Equitable Share | 82 099 | | – | 82 099 | 91 310 | 100 056 |
| Finance Management | 1 600 | | – | 1 600 | 1 625 | 1 700 |
| Municipal Systems Improvement | 930 | | – | 930 | 957 | 1 033 |
| EPWP Incentive | 1 000 | | – | 1 000 | – | – |
| Mig Admin Fees | 1 540 | | – | 1 540 | – | – |
| **Provincial Government:** | **2 014** | **–** | **–** | **2 014** | **–** | **–** |
| Library Grant | 2 014 | | – | 2 014 | | |
| **District Municipality:** | **1 600** | **100** | **100** | **1 700** | **–** | **–** |
| *Environmental Health Subsidy* | 1 600 | | – | 1 600 | | |
| *Economic Development Gant* | | 100 | 100 | 100 | | |
| **Other grant providers:** | 1 368 | (1 168) | (1 168) | 200 | – | – |
| *Skills Development Grant* | 1 350 | (1 150) | (1 150) | 200 | | |
| *Jeffreys Bay Wind Farm: Grant* | 18 | (18) | (18) | – | | |
| **Total Operating expenditure of Transfers and Grants** | **92 151** | **(1 068)** | **(1 068)** | **91 083** | **93 892** | **102 789** |
| Capital expenditure of Transfers and Grants | | | | | | |
| **National Government:** | **33 360** | **–** | **–** | **33 360** | **41 913** | **43 582** |
| Municipal Infrastructure Grant (MIG) | 29 260 | | – | 29 260 | 31 913 | 33 582 |
| Integrated National Electrification Programme | 4 100 | | – | 4 100 | 10 000 | 10 000 |
| **Provincial Government:** | **–** | **47 440** | **47 440** | **47 440** | **–** | **–** |
| Department of Water Affairs | | 9 440 | 9 440 | 9 440 | | |
| Department of Human Settlement Grant | | 38 000 | 38 000 | 38 000 | | |
| **Total Capital expenditure of Transfers and Grants** | **33 360** | **47 440** | **47 440** | **80 800** | **41 913** | **43 582** |
| **TOTAL EXPENDITURE OF TRANSFERS & GRANTS** | **125 511** | **46 372** | **46 372** | **171 883** | **135 805** | **146 371** |

## 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 | 2015/16 Original Budget | 2015/16 Adjustments Budget | Variance |
|---|---|---|---|
| | R | R | R |
| Employee Related Costs | 212,437,084 | 217,587,074 | 5,149,991 |
| Councillors' Remuneration | 11,678,390 | 10,283,155 | -1,395,235 |

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

In accordance with the MFMA, it should be noted that the service delivery targets and performance indicators in the 2015/16 SDBIP will be approved, following the approval by Council of the 2015/16 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 ...FADI SIDNEY.........., 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 FADI SIDNEY.

Municipal manager of Kouga Local Municipality

Signature

Date 16 FEBRUARY 2016