

2022/23 ADJUSTMENTS BUDGET OF KOUGA LOCAL MUNICIPALITY



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TABLE OF CONTENTS

	PAGE
PART 1 – ADJUSTMENTS BUDGET	
1.1. Executive Mayor's Report	2
1.2. 2022/23 Adjustments Budget Resolutions	3
1.3. Executive Summary	4
1.4. Adjustments Budget Tables	6
PART 2 – SUPPORTING DOCUMENTATION	
2.1. Adjustments to Budget Assumptions	32
2.2. Adjustments to Budget Funding	32
2.3. Adjustments to expenditure on allocations and grant programmes	35
2.4. Adjustments to Councillors and Employee Benefits	36
2.5. Adjustments to Service Delivery and Budget Implementation Plan (SDBIP)	36
2.6. Adjustments to Capital Expenditure	36
2.7. Municipal Manager's Quality Certificate	36

PART 1 – 2022/23 ADJUSTMENTS BUDGET

1.1. Executive Mayor's Report

1.1.1. Summary of reasons for the 2022/23 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 2022/23 approved Budget has been adjusted. The adjustment has mainly been necessitated as result of the following:

- The need to adjust revenue and expenditure estimates, in line with revenue collection rate.
- The need to appropriate additional revenues that became available over and above those anticipated in the approved 2022/23 Budget.
- 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 2022/23 annual budget was approved by Council.
- The need to authorise the utilisation of projected savings in one vote towards spending under another vote.

1.1.2. The Executive Mayor recommends that the Council approves the 2022/23 Adjustments Budget.

1.2. 2022/23 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 2022/23 Adjustments Budget as set-out in the following tables:

Table 3 (B1 - Adjustments Budget Summary: page 7)

Table 4 (B2 - Adjustments Budget Financial Performance (revenue and expenditure by standard classification): page 9)

Table 5 (B3 - Adjustments Budget Financial Performance (revenue and expenditure by municipal vote): page 11)

Table 6 (B4 - Adjustments Budget Financial Performance (revenue and expenditure by type): page 12)

Table 8 (B5 - Adjustments Budget Capital Expenditure by vote, standard classification and funding source: page 19)

Table 9 (B6 - Adjustments Budget Financial Position: page 21)

Table 10 (B7 - Adjustments Budgeted Cash Flows: page 23)

Table 11 (B8 - Cash backed reserves/accumulated surplus reconciliation: page 24)

Table 12 (B9 Asset Management : page 26)

Table 13 (B10 Basic Service Delivery Measurement: page 29)

1.3. Executive Summary

The 2022/23 Adjustments Budget amounts to R 1,286 billion, comprising of R 1,178 billion for the Operating Budget and R 107,983 million for the Capital Budget. The Operating Adjustment Budget reflects an increase of R 14,154 million (1.22%), compared to the original approved 2022/23 Operating Budget of R 1,164 billion, whilst the Capital Adjustments Budget reflects an increase of R 68,298 million (172.10%), compared to the original approved capital budget of R 39,685 million.

The increase in the Operating Budget of R 14,154 million is made up as follows:

Increase in Employee related costs	R 18,060 million
Increase in Finance Charges	R 2,875 million
Increase in Other materials	R 14,233 million
Increase in Contracted services	R 5,241 million
Increase in Transfers & subsidies	<u>R 0,325 million</u>
Total expenditure increases	<u>R 40,734 million</u>
Decrease in Debt impairment	R 1,201 million
Decrease in Other expenditure	<u>R 25,379 million</u>
Total expenditure decreases	<u>R 26,580 million</u>
Net Expenditure increase	<u>R 14,154 million</u>

A detailed breakdown of the moving in operating budget is illustrated in the next page.

The increase in the Operating Budget of 14,154 million is substantially influenced by the following adjustments:

Table 1 (Summary of increase in operating budget)

Item Description	Adjusted Budget 2022/23
Increase in External computer services	2,062,997
Increase in Software licences	880,000
Increase in Security Services	800,000
Increase in Traffic Services - TMT	480,000
Increase in DP World Tour	1,500,000
Increase in Council accomodation	100,000
Increase in Radio and Media Time slots - publicity & promotion	100,000
Increase in Media&commuication Workshop	100,000
Increase in Mayor's Cup	310,000
Increase in Outsourced Services:Internal Auditors	195,000
Increase in Communication:Postage	1,000,000
Increase in Property Valuation Costs	600,000
Increase in Material & Supplies - Roads Maintenance	2,500,000
Increase in Material & Supplies - Water Infrastructure Maintenance	1,506,400
Increase in Bulk Water	4,000,000
Increase in Hire charges - Sanitation	5,400,000
Increase in Hire charges - Water	2,300,000
Increase in Maintenance in Sewerage Pump Station	1,500,000
Increase in Fuel & Oil	8,408,270
Increase in Salga- Bargaining Council Levy	1,613,185
Increase in Riparian levies	3,000,000
Increase in Insurance Premiums	200,000
Approved operating budget - rollovers	1,666,040
Increase in Other expenditure - adjustments	2,228,661
Sub-total	42,450,553
Increase Employee related costs - provisions	18,060,485
Operating budget increase	60,511,038
Decrease in Implementation of the Jeffery bay CBD Precinct plan- Moved to Capital	(2,000,000)
Decrease in Operating Lease moved to Finance Lease - Current liability	(12,169,020)
Decrease in Municipal services moved to Costing-internal billing	(32,187,728)
Operating budget decrease	(46,356,748)
Net increase in operating budget	14,154,290

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

Table 2 (Capital Expenditure by Funding Source)

	Approved Budget 2022/23	Adjustment Budget 2022/23	Variance
	R	R	R
Total Capital Budget			
Funded as follows:			
Transfers recognised - capital	31,287,086	81,200,130	49,913,044
Borrowing – Finance lease		10,104,406	10,104,406
Internally generated funds	8,398,402	16,678,823	8,280,421
Total	39,685,488	107,983,359	68,297,871

The increase in transfers recognised capital funding is mainly attributable to the Water Services Infrastructure Grant allocation amounting to R 57,400 million.

It must be noted that the 2022/23 approved Budget reflected a funding surplus of R 18,910 million, whilst the 2022/23 Adjustments Budget reflects a funding surplus of R 6,915 million. The funding surplus decreased by R 11,995 million due to the funding of current provisions amounting to R 39,430 million.

A provision of R 40,868 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 95%.

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 2022/23 Adjustments Budget to be considered for approval by Council. Each table is accompanied by explanatory notes.

Table 3 (B1- Adjustments Budget Summary)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Financial Performance					
Property rates	240,849	240,849	(4,102)	(4,102)	236,747
Service charges	586,820	586,820	(26,319)	(26,319)	560,501
Investment revenue	2,811	2,811	247	247	3,057
Transfers recognised - operational	177,920	177,920	–	–	177,920
Other own revenue	44,562	44,562	33,520	33,520	78,082
Total Revenue (excluding capital transfers and contributions)	1,052,961	1,052,961	3,346	3,346	1,056,307
Employee costs	391,318	391,318	18,060	18,060	409,379
Remuneration of councillors	14,364	14,364	–	–	14,364
Depreciation & asset impairment	103,850	103,850	–	–	103,850
Finance charges	–	–	2,875	2,875	2,875
Inventory consumed and bulk purchases	400,548	398,394	16,328	16,328	414,722
Transfers and grants	400	725	–	–	725
Other expenditure	253,428	259,523	(27,374)	(27,374)	232,148
Total Expenditure	1,163,909	1,168,175	9,889	9,889	1,178,064
Surplus/(Deficit)	(110,948)	(115,214)	(6,543)	(6,543)	(121,757)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35,734	93,134	–	–	93,134
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) after capital transfers & contributions	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)
Share of surplus/ (deficit) of associate	–	–	–	–	–
Surplus/ (Deficit) for the year	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)
Capital expenditure & funds sources					
Capital expenditure	39,685	95,531	12,452	12,452	107,983
Transfers recognised - capital	31,287	81,200	–	–	81,200
Public contributions & donations	–	–	–	–	–
Borrowing	–	–	10,104	10,104	10,104
Internally generated funds	8,398	14,331	2,348	2,348	16,679
Total sources of capital funds	39,685	95,531	12,452	12,452	107,983

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Financial position					
Total current assets	132,996	132,549	14,380	14,380	146,929
Total non current assets	2,253,988	2,309,834	22,928	22,928	2,332,762
Total current liabilities	154,904	154,904	(141)	(141)	154,763
Total non current liabilities	191,375	191,375	51,983	51,983	243,359
Community wealth/Equity	2,040,704	2,040,704	(5,726)	(5,726)	2,034,978
Cash flows					
Net cash from (used) operating	41,019	41,019	49,720	49,720	90,740
Net cash from (used) investing	(39,685)	(39,685)	(58,193)	(58,193)	(97,879)
Net cash from (used) financing	-	(0)	(12,169)	(12,169)	(12,169)
Cash/cash equivalents at the year end	5,439	5,439	3,104	3,104	8,542
Cash backing/surplus reconciliation					
Cash and investments available	5,439	2,838	5,705	5,705	8,542
Application of cash and investments	(13,471)	(16,072)	17,700	17,700	1,627
Balance - surplus (shortfall)	18,910	18,910	(11,995)	(11,995)	6,915
Asset Management					
Asset register summary (WDV)	2,253,988	2,309,834	22,928	22,928	2,332,762
Depreciation	103,850	103,850	-	-	103,850
Renewal and Upgrading of Existing Assets	907	1,190	(855)	(855)	335
Repairs and Maintenance	49,696	46,377	5,343	5,343	51,721
Free services					
Cost of Free Basic Services provided	(39,044)	(39,044)	(4,691)	(4,691)	(43,735)
Revenue cost of free services provided	(20,387)	(20,387)	(4,127)	(4,127)	(24,513)
Households below minimum service level					
Water:	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-
Energy:	-	-	-	-	-
Refuse:	-	-	-	-	-

Explanatory notes to Table 3 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 4 (B2 - Adjustments Budget Financial Performance (revenue and expenditure by standard classification))

Standard Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Revenue - Functional					
<i>Governance and administration</i>	361,880	361,880	(101)	(101)	361,779
Executive and council	342	342	(233)	(233)	109
Finance and administration	361,539	361,539	132	132	361,670
Internal audit	–	–	–	–	–
<i>Community and public safety</i>	16,365	16,365	22,671	22,671	39,035
Community and social services	2,508	2,508	(33)	(33)	2,476
Sport and recreation	9,017	9,017	(378)	(378)	8,639
Public safety	1,652	1,652	(4)	(4)	1,648
Housing	–	–	23,085	23,085	23,085
Health	3,187	3,187	–	–	3,187
<i>Economic and environmental services</i>	38,750	38,750	1,532	1,532	40,282
Planning and development	6,754	6,754	1,612	1,612	8,367
Road transport	6,527	6,527	18	18	6,544
Environmental protection	25,469	25,469	(98)	(98)	25,371
<i>Trading services</i>	671,701	729,101	(20,756)	(20,756)	708,345
Energy sources	379,734	379,734	(21,170)	(21,170)	358,564
Water management	114,284	171,684	1,496	1,496	173,181
Waste water management	109,397	109,397	(2,242)	(2,242)	107,155
Waste management	68,285	68,285	1,161	1,161	69,446
<i>Other</i>	–	–	–	–	–
Total Revenue - Functional	1,088,696	1,146,096	3,346	3,346	1,149,441
Expenditure - Functional					
<i>Governance and administration</i>	252,416	254,255	31,315	31,315	285,571
Executive and council	54,099	53,172	5,485	5,485	58,657
Finance and administration	198,047	200,873	25,648	25,648	226,521
Internal audit	270	210	183	183	393
<i>Community and public safety</i>	111,512	111,751	2,940	2,940	114,691
Community and social services	12,180	12,180	117	117	12,297
Sport and recreation	56,704	57,029	2,310	2,310	59,339
Public safety	28,610	28,614	224	224	28,838
Housing	6,627	6,537	258	258	6,794
Health	7,391	7,391	32	32	7,422

Standard Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
<i>Economic and environmental services</i>	163,774	161,198	(6,869)	(6,869)	154,329
Planning and development	29,222	30,462	(1,546)	(1,546)	28,916
Road transport	111,957	108,141	2,443	2,443	110,584
Environmental protection	22,594	22,594	(7,766)	(7,766)	14,828
<i>Trading services</i>	629,886	634,749	(17,313)	(17,313)	617,436
Energy sources	408,286	408,286	(25,317)	(25,317)	382,969
Water management	99,688	99,688	5,426	5,426	105,114
Waste water management	71,306	71,306	1,953	1,953	73,260
Waste management	50,606	55,469	625	625	56,094
<i>Other</i>	6,322	6,222	(185)	(185)	6,037
Total Expenditure - Functional	1,163,909	1,168,175	9,889	9,889	1,178,064
Surplus/ (Deficit) for the year	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)

Explanatory notes to Table 4 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 5 (B3 - Adjustments Budget Financial Performance (revenue and expenditure by municipal vote))

Vote Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Revenue by Vote					
Vote 1 - EXECUTIVE COUNCIL	–	0	–	–	0
Vote 2 - FINANCIAL SERVICES	358,424	358,424	(4,447)	(4,447)	353,977
Vote 3 - CORPORATE SERVICES	975	975	(28)	(28)	947
Vote 4 - COMMUNITY SERVICES	117,205	117,205	4,939	4,939	122,144
Vote 5 - INFRASTRUCTURE AND ENGINEERING	607,132	664,532	(21,816)	(21,816)	642,716
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	4,960	4,960	24,698	24,698	29,657
Total Revenue by Vote	1,088,696	1,146,096	3,346	3,346	1,149,441
Expenditure by Vote					
Vote 1 - EXECUTIVE COUNCIL	58,894	59,284	5,104	5,104	64,388
Vote 2 - FINANCIAL SERVICES	98,012	99,678	7,072	7,072	106,750
Vote 3 - CORPORATE SERVICES	43,088	43,106	17,634	17,634	60,740
Vote 4 - COMMUNITY SERVICES	230,145	235,007	(3,079)	(3,079)	231,928
Vote 5 - INFRASTRUCTURE AND ENGINEERING	695,979	692,097	(15,177)	(15,177)	676,920
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	37,702	38,852	(1,515)	(1,515)	37,338
Total Expenditure by Vote	1,163,819	1,168,025	10,039	10,039	1,178,064
Surplus/ (Deficit) for the year	(75,124)	(21,929)	(6,693)	(6,693)	(28,623)

Explanatory notes to Table 5 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 6 (B4 - Adjustments Budget Financial Performance (revenue and expenditure))

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Revenue By Source					
Property rates	240,849	240,849	(4,102)	(4,102)	236,747
Service charges - electricity revenue	371,804	371,804	(21,602)	(21,602)	350,201
Service charges - water revenue	89,362	89,362	(782)	(782)	88,580
Service charges - sanitation revenue	62,796	62,796	(3,346)	(3,346)	59,450
Service charges - refuse revenue	62,858	62,858	(589)	(589)	62,269
Service charges - other	-	-	-	-	-
Rental of facilities and equipment	2,968	2,968	(103)	(103)	2,865
Interest earned - external investments	2,811	2,811	247	247	3,057
Interest earned - outstanding debtors	13,706	13,706	6,400	6,400	20,106
Dividends received	-	-	-	-	-
Fines, penalties and forfeits	1,842	1,842	4,642	4,642	6,484
Licences and permits	8,397	8,397	-	-	8,397
Agency services	5,352	5,352	-	-	5,352
Transfers and subsidies	177,920	177,920	-	-	177,920
Other revenue	12,298	12,298	22,581	22,581	34,880
Gains	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	1,052,961	1,052,961	3,346	3,346	1,056,307
Expenditure By Type					
Employee related costs	391,318	391,318	18,060	18,060	409,379
Remuneration of councillors	14,364	14,364	-	-	14,364
Debt impairment	42,069	42,069	(1,201)	(1,201)	40,868
Depreciation & asset impairment	103,850	103,850	-	-	103,850
Finance charges	-	-	2,875	2,875	2,875
Bulk purchases - electricity	325,900	325,900	-	-	325,900
Inventory Consumed	74,648	72,494	16,388	16,388	88,882
Contracted services	93,375	97,846	769	769	98,616
Transfers and subsidies	400	725	-	-	725
Other expenditure	117,984	119,608	(27,003)	(27,003)	92,605
Losses	-	-	-	-	-
Total Expenditure	1,163,909	1,168,175	9,889	9,889	1,178,064
Surplus/(Deficit)	(110,948)	(115,214)	(6,543)	(6,543)	(121,757)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35,734	93,134	-	-	93,134
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	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)
Taxation	-	-	-	-	-
Surplus/(Deficit) after taxation	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)
Attributable to minorities	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)
Share of surplus/ (deficit) of associate	-	-	-	-	-
Surplus/ (Deficit) for the year	(75,214)	(22,079)	(6,543)	(6,543)	(28,623)

Explanatory notes to Table 6 B4 – Adjustments Budget Financial Performance (revenue and expenditure)

Revenue

- 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.
- Total operating revenue amounts to R 1,056 billion in the 2022/23 Adjustments Budget, compared to the amount of R 1,053 billion in the 2022/23 approved Budget. This represents an increase of R 3,346 million or 0.32% and is largely influenced by the reduction of R 21,602 million in electricity revenue as result of change in accounting of municipal services (internal billing).
- The significant variations in revenue, compared to the 2022/23 budget are as follows.

3.1 Property Rates

Property rates revenue decrease by R 4,102 million, compared to the 2022/23 approved original budget. the decrease is mainly due to increase in property rates indigent subsidy. Indigent subsidies net-off to revenue, hence the reduction in property rates revenue.

3.2 Service charges - electricity revenue

Electricity revenue decreased by R 21,602 million, compared to the 2022/23 approved original budget. the decrease is mainly due to change in accounting for municipal services (internal billing), internal billing has been accounted for as part of costing implementation in line with the mSCOA requirements.

3.3 Service charges – water revenue

Water revenue decreased by R 0,782 million, compared to the 2022/23 approved original budget. the decrease is largely influenced by the change in accounting for municipal services (internal billing).

3.4 Service charges – sanitation revenue

Sanitation revenue decreased by R 3,346 million, compared to the 2022/23 approved original budget. the decrease is also largely influenced by the changes in accounting for municipal services (internal billing).

3.5 Service charges – refuse revenue.

Refuse revenue decreased by R 0,589 million, compared to the 2022/23 approved original budget. the slight decrease is mainly influenced by the changes in accounting for municipal services (internal billing).

3.6 Rental of facilities and equipment

Rental of facilities and equipment slightly decreased by R 0,103 million, compared to the 2022/23 approved original budget. the decrease is largely influenced by existing rental agreements.

3.7 Interest earned - external investments

Interest earned on investments slightly increased by R 0,247 million, compared to the 2022/23 approved original budget. the increase is largely influenced by the extent of the municipality's investment portfolio.

3.8 Interest earned - outstanding debtors

Interest earned on outstanding debtors increased by R 6,400 million, compared to the 2022/23 approved original budget, the increase is line with overdue debtors. the outstanding debtors as at 30 November 2022, amounted to R 302,762 million.

3.9 Fines, penalties and forfeits

Fines, penalties and forfeits increased by R 4,642 million, compared to the 2022/23 approved original budget. The increase is mainly due to higher traffic fines as result of the appointment of service provider for traffic infringements.

3.10 Other revenue

Other revenue increased by R 22,581 million, compared to the 2022/23 approved original budget. This increase is largely attributable to the Department of Human Settlements refund amounting to R 23,085 million.

Expenditure

4. Total operating expenditure amounts to R 1,178 billion in the 2022/23 Adjustments Budget, compared to the amount of R 1,164 billion in the 2022/23 approved Original Budget. This represents an increase of R 14,154 million or 1.22%.
5. The significant variations in expenditure, compared to the 2022/23 approved original budget, are as follows:

5.1 Employee related cost

Employee related cost increased by R 18,060 million, compared to the 2022/23 approved original budget. The increase is mainly due to provisions raised against the employee related costs and are broken down as follows:

- | | |
|---|------------------------|
| • Post-retirement Benefit: Medical: Interest Cost | R 11,584 million |
| • Post-retirement Benefit: Medical: Current Service Cost | R 3,811 million |
| • Post-retirement Benefit: Other Benefits: Leave Gratuity | <u>R 2,665 million</u> |
| | R18,060 million |

5.2 Debt impairment

Debt impairment decreased by R 1,201 million, compared to the 2022/23 approved original budget. This is based on the average collection rate of 95% and the reduction is as result of service charges reduction due to change in accounting for municipal services (internal billing).

5.3 Finance charges

The finance charges were raised to R 2,875 million, due to change in accounting for vehicles operating lease to finance lease.

5.4 Inventory consumed

Inventory consumed increased by R 14,233 million, compared to the 2022/23 approved original budget. The increase is largely influenced by an increase of R 4,000 million for bulk water purchases cost, R 8,408 million increase in fuel & oil and R 2,500 million increase in roads maintenance budget.

5.5 Contracted Services

Contracted services increased by R 5,241 million, compared to the 2022/23 approved original budget. The increase is largely influenced by the prior adjustments (budget virements) and R 1,500 million increase in sewerage pump stations maintenance budget.

5.6 Transfers and subsidies

Transfers and subsidies slightly increased by R 0,325 million, compared to the 2022/23 approved original budget.

5.7 Other expenditure

Other expenditure decreased by R 25,379 million, compared to the 2022/23 approved original budget. The is largely influenced by the changes in the accounting for municipal services (internal billing). Please refer to page 5 for a detailed breakdown of changes in the operating budget.

Table 7 (Municipal Services – Internal billing)

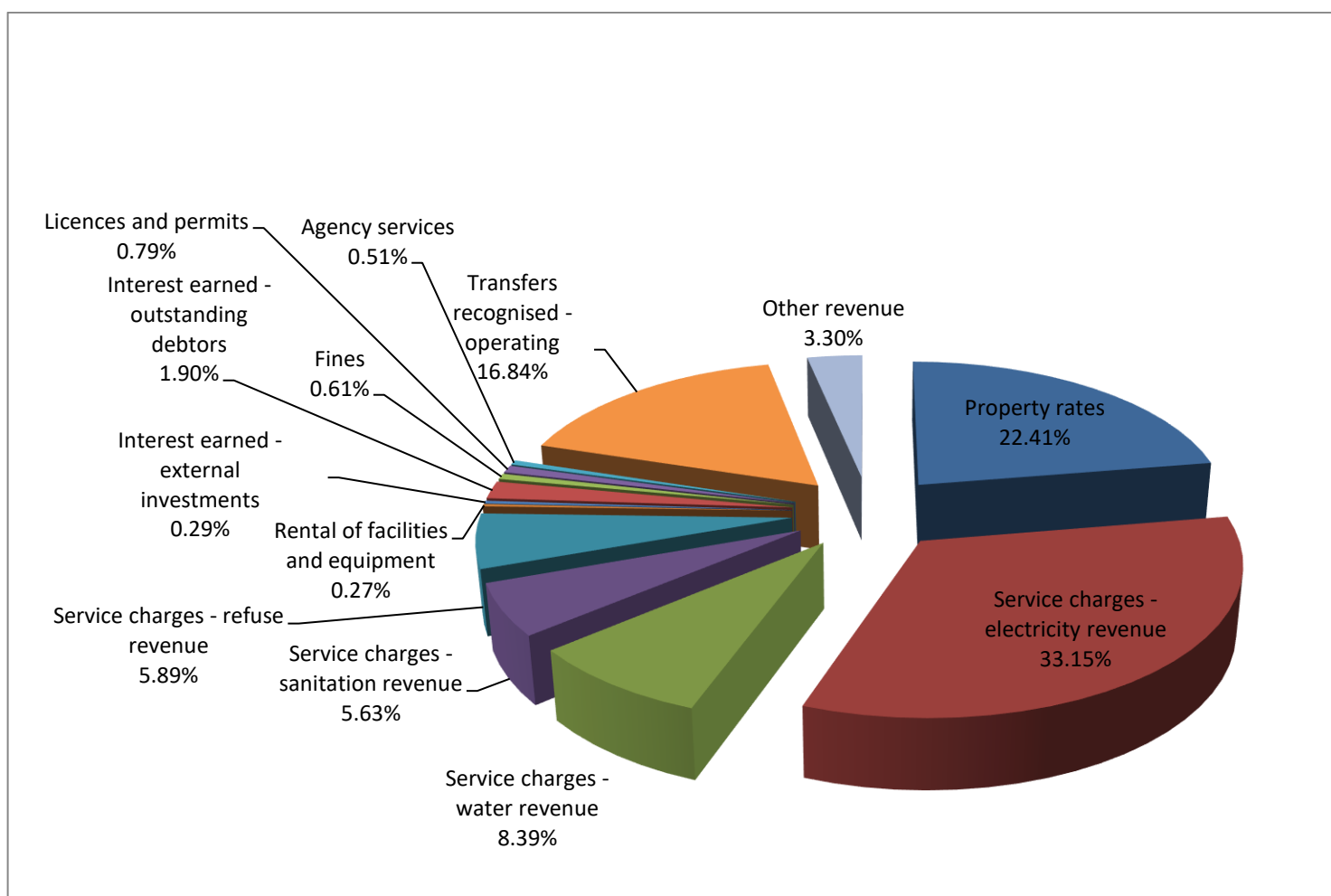
2022/23 Adjustments Budget			
Services description	Recoveries (Revenue)	charges (Own consumption)	Variances
Electricity	(16,528,668)	16,528,668)	0.00
Sewerage	(3,665,705)	3,665,705)	0.00
Waste Management	(765,163)	765,163)	0.00
Water	(3,877,511)	3,877,511)	0.00
Total	(24,837,047)	24,837,047)	0.00

the municipal services revenue (recoveries), was initially recorded as revenue in the statement of financial performance and the charges (own consumption) recorded as operating expenditure. The municipality has now implemented the costing segment in line with the requirements of mSCOA (refer to 5.3 of National Treasury Circular Nr. 115) and the costing segment in mSCOA provides for the recording of the full cost for the four core municipal functions, namely: electricity, water, wastewater and waste management.

In terms of this accounting change, the recoveries (revenue) and the charges (own consumption) are recorded under expenditure and must balance to zero. The item segment records the debit and credit of all costing transactions where the charges increase cost, and the recoveries decrease the cost per function.

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

2022/23 Statement of Financial Performance – Adjusted Revenue



2022/23 Statement of Financial Performance – Adjusted Expenditure

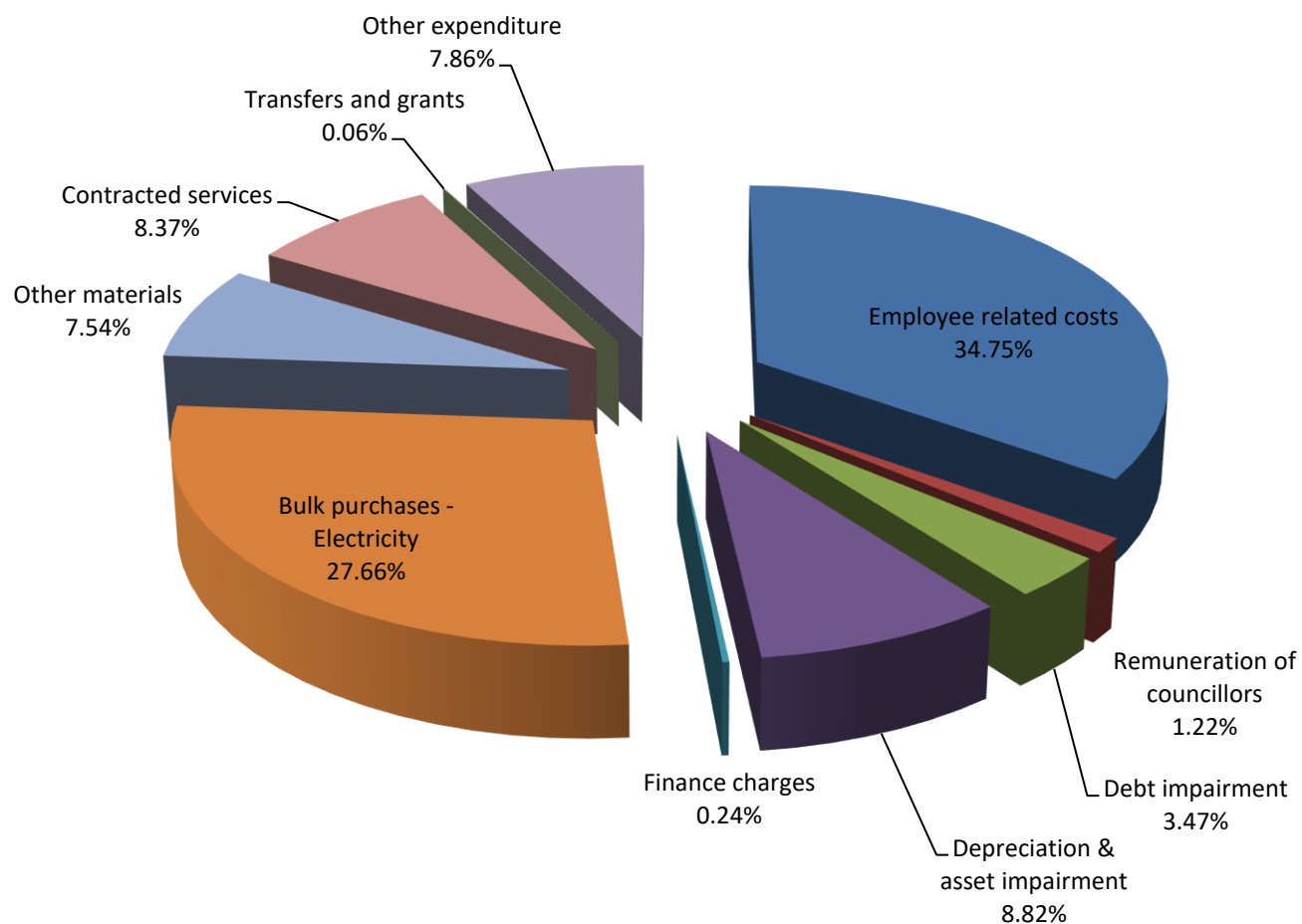


Table 8 (B5 - Adjustments Capital Expenditure Budget by vote, standard classification and funding source)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Capital expenditure - Vote					
Multi-year expenditure to be adjusted					
Vote 1 - EXECUTIVE COUNCIL	–	100	350	350	450
Vote 2 - FINANCIAL SERVICES	1,730	1,730	990	990	2,720
Vote 3 - CORPORATE SERVICES	–	–	–	–	–
Vote 4 - COMMUNITY SERVICES	1,638	2,180	10,264	10,264	12,444
Vote 5 - INFRASTRUCTURE AND ENGINEERING	35,167	90,012	(1,233)	(1,233)	88,779
Vote 6 - PLANNING DEVELOPMENT AND TOURISM	–	336	2,080	2,080	2,417
Capital multi-year expenditure sub-total	38,535	94,358	12,452	12,452	106,811
Single-year expenditure to be adjusted					
Vote 1 - EXECUTIVE COUNCIL	750	773	–	–	773
Vote 5 - INFRASTRUCTURE AND ENGINEERING	400	400	–	–	400
Capital single-year expenditure sub-total	1,150	1,173	–	–	1,173
Total Capital Expenditure - Vote	39,685	95,531	12,452	12,452	107,983
Capital Expenditure - Functional					
Governance and administration	2,480	3,144	1,340	1,340	4,484
Executive and council	750	850	350	350	1,200
Finance and administration	1,730	2,272	990	990	3,262
Internal audit	–	23	–	–	23
Community and public safety	1,638	1,819	1,060	1,060	2,879
Community and social services	–	–	–	–	–
Sport and recreation	–	181	1,060	1,060	1,241
Public safety	1,638	1,638	–	–	1,638
Housing	–	–	–	–	–
Health	–	–	–	–	–

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
<i>Economic and environmental services</i>	11,609	15,077	3,939	3,939	19,016
Planning and development	4,922	5,258	2,080	2,080	7,339
Road transport	6,687	9,819	1,858	1,858	11,677
Environmental protection	–	–	–	–	–
<i>Trading services</i>	23,959	75,491	6,113	6,113	81,604
Energy sources	1,738	1,738	125	125	1,863
Water management	907	55,572	(735)	(735)	54,836
Waste water management	21,313	18,181	(3,381)	(3,381)	14,800
Waste management	–	–	10,104	10,104	10,104
<i>Other</i>	–	–	–	–	–
Total Capital Expenditure - Functional	39,685	95,531	12,452	12,452	107,983
Funded by:					
National Government	29,649	79,562	–	–	79,562
Provincial Government	–	–	–	–	–
District Municipality	1,638	1,638	–	–	1,638
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	–	–	–	–	–
Transfers recognised - capital	31,287	81,200	–	–	81,200
Public contributions & donations	–	–	–	–	–
Borrowing	–	–	10,104	10,104	10,104
Internally generated funds	8,398	14,331	2,348	2,348	16,679
Total Capital Funding	39,685	95,531	12,452	12,452	107,983

Explanatory notes to Table 8 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 9 (B6 - Adjustments Budget Financial Position)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
ASSETS					
Current assets					
Cash	2,601	2,601	1,092	1,092	3,693
Call investment deposits	2,838	2,838	2,012	2,012	4,850
Consumer debtors	67,955	67,955	(7,719)	(7,719)	60,236
Other debtors	47,032	47,032	14,009	14,009	61,041
Current portion of long-term receivables	-	-	-	-	-
Inventory	12,570	12,570	4,539	4,539	17,110
Total current assets	132,996	132,996	13,933	13,933	146,929
			-	-	
Non current assets			-	-	
Long-term receivables	-	-	-	-	-
Investments	-	-	-	-	-
Investment property	262,645	262,645	(37)	(37)	262,608
Investment in Associate	-	-	-	-	-
Property, plant and equipment	1,989,453	1,989,453	80,291	80,291	2,069,744
Agricultural	-	-	-	-	-
Biological	-	-	-	-	-
Intangible	1,890	1,890	(1,480)	(1,480)	410
Other non-current assets	-	-	-	-	-
Total non current assets	2,253,988	2,253,988	78,774	78,774	2,332,762
TOTAL ASSETS	2,386,984	2,386,984	92,707	92,707	2,479,691
			-	-	
LIABILITIES			-	-	
Current liabilities			-	-	
Bank overdraft	-	-	-	-	-
Borrowing	-	-	12,169	12,169	12,169
Consumer deposits	20,774	20,774	2,899	2,899	23,673
Trade and other payables	95,855	95,855	(18,445)	(18,445)	77,411
Provisions	38,275	38,275	3,236	3,236	41,511
Total current liabilities	154,904	154,904	(141)	(141)	154,763
Non current liabilities			-	-	
Borrowing	-	-	16,043	16,043	16,043
Provisions	191,375	191,375	35,940	35,940	227,316
Total non current liabilities	191,375	191,375	51,983	51,983	243,359
TOTAL LIABILITIES	346,280	346,280	51,842	51,842	398,122
NET ASSETS	2,040,704	2,040,704	40,865	40,865	2,081,569
COMMUNITY WEALTH/EQUITY			-	-	
Accumulated Surplus/(Deficit)	2,040,704	2,040,704	40,865	40,865	2,081,569
Reserves	-	-	-	-	-
Minorities' interests	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2,040,704	2,040,704	40,865	40,865	2,081,569

Explanatory notes to Table 9 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 budgets 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 10 (B7 - Adjustments Budgeted Cash Flow Statement)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	230,449	230,449	(3,009)	(3,009)	227,440
Service charges	652,478	652,478	(23,561)	(23,561)	628,917
Other revenue	57,445	57,445	43,592	43,592	101,036
Transfers and Subsidies - Operational	177,920	177,920	-	-	177,920
Transfers and Subsidies - Capital	35,734	35,734	57,400	57,400	93,134
Interest	2,811	2,811	247	247	3,057
Dividends	-	-	-	-	-
Payments					
Suppliers and employees	(1,115,817)	(1,115,817)	(24,947)	(24,947)	(1,140,765)
Finance charges	-	-	-	-	-
Transfers and Grants	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	41,019	41,019	49,720	49,720	90,740
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-
Decrease (increase) in non-current receivables	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-
Payments					
Capital assets	(39,685)	(39,685)	(58,193)	(58,193)	(97,879)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(39,685)	(39,685)	(58,193)	(58,193)	(97,879)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-
Payments					
Repayment of borrowing	-	(0)	(12,169)	(12,169)	(12,169)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(0)	(12,169)	(12,169)	(12,169)
NET INCREASE/ (DECREASE) IN CASH HELD	1,334	1,334	(20,642)	(20,642)	(19,308)
Cash/cash equivalents at the year begin:	4,105	4,105	23,746	23,746	27,851
Cash/cash equivalents at the year end:	5,439	5,439	3,104	3,104	8,542

Explanatory notes to Table 10 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 11 (B8 - Cash backed reserves/accumulated surplus reconciliation)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Cash and investments available					
Cash/cash equivalents at the year end	5,439	5,439	3,104	3,104	8,542
Other current investments > 90 days	–	–			0
Non current assets - Investments	–	–			–
Cash and investments available:	5,439	5,439	3,104	3,104	8,542
Applications of cash and investments					
Unspent conditional transfers	(987)	(987)	987	987	–
Unspent borrowing	–	–			–
Statutory requirements	–	–			–
Other working capital requirements	28,802	28,802	9,001	9,001	37,802
Other provisions	(14,343)	(14,343)	(25,086)	(25,086)	(39,430)
Long term investments committed	–	–			–
Reserves to be backed by cash/investments	–	–			–
Total Application of cash and investments:	13,471	13,471	(15,098)	(15,098)	(1,627)
Surplus(shortfall)	18,910	18,910	(11,995)	(11,995)	6,915

Explanatory notes to Table 11 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 2022/23 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 2022/23 approved Budget reflected a funding surplus of R 18,910 million, whilst the 2022/23 Adjustments Budget reflects a funding surplus of R 6,915 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 12 (B9 - Asset Management)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
CAPITAL EXPENDITURE					
Total New Assets to be adjusted	7,511	62,894	11,450	11,450	74,344
<i>Electrical Infrastructure</i>	1,023	1,023	550	550	1,573
<i>Water Supply Infrastructure</i>	–	54,382	(5)	(5)	54,376
<i>Sanitation Infrastructure</i>	1,551	1,551	(991)	(991)	560
<i>Solid Waste Infrastructure</i>	418	418	(38)	(38)	380
Infrastructure	2,993	57,375	(485)	(485)	56,890
Community Facilities	1,150	1,486	28	28	1,515
Community Assets	1,150	1,486	28	28	1,515
Licences and Rights	–	–	52	52	52
Intangible Assets	–	–	52	52	52
Computer Equipment	1,020	1,408	670	670	2,078
Furniture and Office Equipment	710	833	380	380	1,213
Machinery and Equipment	–	58	700	700	758
Transport Assets	1,638	1,734	10,104	10,104	11,838
Total Renewal of Existing Assets to be adjusted	907	1,190	(855)	(855)	335
<i>Water Supply Infrastructure</i>	907	1,190	(855)	(855)	335
Infrastructure	907	1,190	(855)	(855)	335
Total Upgrading of Existing Assets to be adjusted	31,267	31,448	1,857	1,857	33,305
<i>Roads Infrastructure</i>	6,687	9,819	3,733	3,733	13,552
<i>Electrical Infrastructure</i>	715	715	(550)	(550)	165
<i>Sanitation Infrastructure</i>	19,343	16,211	(2,476)	(2,476)	13,735
Infrastructure	26,745	26,745	707	707	27,452
Sport and Recreation Facilities	4,522	4,702	900	900	5,602
Community Assets	4,522	4,702	900	900	5,602
Operational Buildings	–	–	250	250	250
Other Assets	–	–	250	250	250
<i>Roads Infrastructure</i>	6,687	9,819	3,733	3,733	13,552
<i>Electrical Infrastructure</i>	1,738	1,738	–	–	1,738
<i>Water Supply Infrastructure</i>	907	55,572	(860)	(860)	54,711
<i>Sanitation Infrastructure</i>	20,894	17,762	(3,468)	(3,468)	14,295
<i>Solid Waste Infrastructure</i>	418	418	(38)	(38)	380

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
Infrastructure	30,646	85,310	(633)	(633)	84,677
Community Facilities	1,150	1,486	28	28	1,515
Sport and Recreation Facilities	4,522	4,702	900	900	5,602
Community Assets	5,672	6,189	928	928	7,117
Operational Buildings	–	–	250	250	250
Other Assets	–	–	250	250	250
Licences and Rights	–	–	52	52	52
Intangible Assets	–	–	52	52	52
Computer Equipment	1,020	1,408	670	670	2,078
Furniture and Office Equipment	710	833	380	380	1,213
Machinery and Equipment	–	58	700	700	758
Transport Assets	1,638	1,734	10,104	10,104	11,838
TOTAL CAPITAL EXPENDITURE to be adjusted	39,685	95,531	12,452	12,452	107,983
ASSET REGISTER SUMMARY - PPE (WDV)					
<i>Roads Infrastructure</i>	592,252	595,384	(41,968)	(41,968)	553,416
<i>Storm water Infrastructure</i>	18,164	18,164	(6,644)	(6,644)	11,520
<i>Electrical Infrastructure</i>	171,352	171,352	19,883	19,883	191,235
<i>Water Supply Infrastructure</i>	259,973	314,637	33,893	33,893	348,530
<i>Sanitation Infrastructure</i>	492,638	489,506	4,199	4,199	493,706
<i>Solid Waste Infrastructure</i>	(24,011)	(24,011)	12,944	12,944	(11,067)
<i>Information and Communication Infrastructure</i>	250	250	(178)	(178)	72
Infrastructure	1,510,618	1,565,282	22,130	22,130	1,587,412
Community Assets	40,359	40,876	7,550	7,550	48,426
Investment properties	262,645	262,645	(37)	(37)	262,608
Other Assets	192,094	192,094	(41,862)	(41,862)	150,231
Intangible Assets	1,890	1,890	(1,480)	(1,480)	410
Computer Equipment	11,207	11,595	(8,113)	(8,113)	3,482
Furniture and Office Equipment	3,359	3,481	6,791	6,791	10,273
Machinery and Equipment	6,318	6,376	(2,682)	(2,682)	3,694
Transport Assets	(9,221)	(9,125)	47,746	47,746	38,621
Land	234,719	234,719	(7,114)	(7,114)	227,605
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2,253,988	2,309,834	22,928	22,928	2,332,762

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands					
EXPENDITURE OTHER ITEMS					
Depreciation & asset impairment	103,850	103,850	-	-	103,850
Repairs and Maintenance by asset class	49,696	46,377	5,403	5,403	51,781
<i>Roads Infrastructure</i>	11,019	11,704	2,500	2,500	14,204
<i>Storm water Infrastructure</i>	1,594	1,028	-	-	1,028
<i>Electrical Infrastructure</i>	7,950	7,950	-	-	7,950
<i>Water Supply Infrastructure</i>	6,262	5,222	1,899	1,899	7,121
<i>Sanitation Infrastructure</i>	4,425	3,225	1,200	1,200	4,425
Infrastructure	31,250	29,130	5,599	5,599	34,729
Community Facilities	1,743	1,763	30	30	1,793
Sport and Recreation Facilities	1,750	1,750	(260)	(260)	1,490
Community Assets	3,493	3,513	(230)	(230)	3,283
Operational Buildings	4,530	3,810	60	60	3,870
Other Assets	4,530	3,810	60	60	3,870
Machinery and Equipment	1,011	811	(76)	(76)	735
Transport Assets	9,412	9,114	50	50	9,164
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	153,546	150,228	5,403	5,403	155,631
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	81.1%	34.2%			31.2%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>	31.0%	31.4%			32.4%
<i>R&M as a % of PPE</i>	2.2%	2.0%			2.2%
<i>Renewal and upgrading and R&M as a % of PPE</i>	3.6%	3.4%			3.7%

Explanatory notes to Table 12 B9 – Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and 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 13 (B10 - Basic service delivery measurement)

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
Household service targets					
<u>Water:</u>					
Piped water inside dwelling				-	-
Piped water inside yard (but not in dwelling)				-	-
Using public tap (at least min.service level)				-	-
Other water supply (at least min.service level)				-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-
Using public tap (< min.service level)				-	-
Other water supply (< min.service level)				-	-
No water supply				-	-
<i>Below Minimum Servic Level sub-total</i>	-	-	-	-	-
Total number of households	-	-	-	-	-
<u>Sanitation/sewerage:</u>					
Flush toilet (connected to sewerage)				-	-
Flush toilet (with septic tank)				-	-
Chemical toilet				-	-
Pit toilet (ventilated)				-	-
Other toilet provisions (> min.service level)				-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-
Bucket toilet				-	-
Other toilet provisions (< min.service level)				-	-
No toilet provisions				-	-
<i>Below Minimum Servic Level sub-total</i>	-	-	-	-	-
Total number of households	-	-	-	-	-
<u>Energy:</u>					
Electricity (at least min. service level)				-	-
Electricity - prepaid (> min.service level)				-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-
Electricity (< min.service level)				-	-
Electricity - prepaid (< min. service level)				-	-
Other energy sources				-	-
<i>Below Minimum Servic Level sub-total</i>	-	-	-	-	-
Total number of households	-	-	-	-	-

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
Refuse:					
Removed at least once a week (min.service)				-	-
Minimum Service Level and Above sub-total	-	-	-	-	-
Removed less frequently than once a week				-	-
Using communal refuse dump				-	-
Using own refuse dump				-	-
Other rubbish disposal				-	-
No rubbish disposal				-	-
<i>Below Minimum Servic Level sub-total</i>	-	-	-	-	-
Total number of households	-	-	-	-	-
Households receiving Free Basic Service					
Water (6 kilolitres per household per month)				-	-
Sanitation (free minimum level service)				-	-
Electricity/other energy (50kwh per household per month)				-	-
Refuse (removed at least once a week)				-	-
Cost of Free Basic Services provided (R'000)					
Water (6 kilolitres per household per month)	(20,546)	(20,546)	(2,366)	(2,366)	(22,912)
Sanitation (free sanitation service)	(11,521)	(11,521)	343	343	(11,178)
Electricity/other energy (50kwh per household per month)	(6,977)	(6,977)	(2,668)	(2,668)	(9,646)
Refuse (removed once a week)	-	-			
Total cost of FBS provided (minimum social package)	(39,044)	(39,044)	(4,691)	(4,691)	(43,735)
Highest level of free service provided					
Property rates (R'000 value threshold)				-	-
Water (kilolitres per household per month)				-	-
Sanitation (kilolitres per household per month)				-	-
Sanitation (Rand per household per month)				-	-
Electricity (kw per household per month)				-	-
Refuse (average litres per week)				-	-

Description	Budget Year 2022/23				
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget
Revenue cost of free services provided (R'000)					
Property rates (tariff adjustment) (impermissable values per section 17 of MPRA)	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)	(20,387)	(20,387)	(4,127)	(4,127)	(24,513)
Water (in excess of 6 kilolitres per indigent household per month)	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-
Municipal Housing - rental rebates	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-
Other	-	-	-	-	-
Total revenue cost of subsidised services provided	(20,387)	(20,387)	(4,127)	(4,127)	(24,513)

Explanatory notes to Table 13 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 2022/23 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:

Table 14 (Revenue By Source)

Description	Budget Year 2022/23		
	Original Budget	Adjusted Budget	Variances
R thousands			
Revenue By Source			
Property rates	240,849	236,747	(4,102)
Service charges - electricity revenue	371,804	350,201	(21,602)
Service charges - water revenue	89,362	88,580	(782)
Service charges - sanitation revenue	62,796	59,450	(3,346)
Service charges - refuse revenue	62,858	62,269	(589)
Rental of facilities and equipment	2,968	2,865	(103)
Interest earned - external investments	2,811	3,057	247
Interest earned - outstanding debtors	13,706	20,106	6,400
Fines, penalties and forfeits	1,842	6,484	4,642
Licences and permits	8,397	8,397	–
Agency services	5,352	5,352	–
Transfers and subsidies	177,920	177,920	–
Other revenue	12,298	34,880	22,581
Total Revenue (excluding capital transfers and contributions)	1,052,961	1,056,307	3,346

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

Table 15 (Cash backed reserves/accumulated surplus reconciliation)

Description	Budget Year 2022/23				Adjusted Budget
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	
R thousands					
Cash and investments available					
Cash/cash equivalents at the year end	5,439	5,439	3,104	3,104	8,542
Other current investments > 90 days	-	-			0
Non current assets - Investments	-	-			-
Cash and investments available:	5,439	5,439	3,104	3,104	8,542
Applications of cash and investments					
Unspent conditional transfers	(987)	(987)	987	987	-
Unspent borrowing	-	-			-
Statutory requirements	-	-			
Other working capital requirements	28,802	28,802	9,001	9,001	37,802
Other provisions	(14,343)	(14,343)	(25,086)	(25,086)	(39,430)
Long term investments committed	-	-			-
Reserves to be backed by cash/investments	-	-			-
Total Application of cash and investments:	13,471	13,471	(15,098)	(15,098)	(1,627)
Surplus(shortfall)	18,910	18,910	(11,995)	(11,995)	6,915

2.2.2 Adjustments to estimated collection levels

The 2022/23 Adjustment Operating Budget debtors' collection rate remained at 95%.

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.

Adjustments relating to grant funding, supporting the Municipality's Capital Budget is included in the enclosed annexure "A".

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 2022/23		
	Original Budget	Prior Adjusted	Adjusted Budget
R thousands			
RECEIPTS:			
–			
<u>Operating Transfers and Grants</u>			
National Government:	167,982	167,982	167,982
Operational Revenue:General Revenue:Equitable Share	163,292	163,292	163,292
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1,175	1,175	1,175
Local Government Financial Management Grant [Schedule 5B]	1,720	1,720	1,720
Municipal Infrastructure Grant [Schedule 5B]	1,795	1,795	1,795
Provincial Government:	7,050	7,050	7,050
Economic Development, Environmental Affairs and Tourism	5,000	5,000	5,000
Sports and Recreation	2,050	2,050	2,050
District Municipality:	2,888	2,888	2,888
Environmental Health Subsidy	2,888	2,888	2,888
Total Operating Transfers and Grants	177,920	177,920	177,920
<u>Capital Transfers and Grants</u>			
National Government:	34,096	91,496	91,496
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	–	–	–
Municipal Infrastructure Grant [Schedule 5B]	34,096	34,096	34,096
Municipal Water Infrastructure Grant [Schedule 5B]	–	57,400	57,400
District Municipality:	1,638	1,638	1,638
Fire Services Subsidy	1,638	1,638	1,638
Total Capital Transfers and Grants	35,734	93,134	93,134
TOTAL RECEIPTS OF TRANSFERS & GRANTS	213,654	271,054	271,054

Supporting Table SB8 Adjustments Budget – expenditure on transfers and programmes

Description	Budget Year 2022/23		
	Original Budget	Prior Adjusted	Adjusted Budget
R thousands			
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:			
Operating expenditure of Transfers and Grants			
National Government:	167,982	167,982	167,982
Operational Revenue:General Revenue:Equitable Share	163,292	163,292	163,292
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1,175	1,175	1,175
Local Government Financial Management Grant [Schedule 5B]	1,720	1,720	1,720
Municipal Infrastructure Grant [Schedule 5B]	1,795	1,795	1,795
Provincial Government:	7,050	7,050	7,050
Economic Development, Environmental Affairs and Tourism	5,000	5,000	5,000
Sports and Recreation	2,050	2,050	2,050
District Municipality:	2,888	2,888	2,888
Environmental Health Subsidy	2,888	2,888	2,888
Total Operating Transfers and Grants	177,920	177,920	177,920
Capital Transfers and Grants			
National Government:	34,096	91,496	91,496
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	–	–	–
Municipal Infrastructure Grant [Schedule 5B]	34,096	34,096	34,096
Municipal Water Infrastructure Grant [Schedule 5B]	–	57,400	57,400
District Municipality:	1,638	1,638	1,638
Fire Services Subsidy	1,638	1,638	1,638
Total Capital Transfers and Grants	35,734	93,134	93,134
TOTAL EXPENDITURE OF TRANSFERS & GRANTS	213,654	271,054	271,054

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	Approved Budget 2022/23	Adjustments Budget 2022/23	Variance
	R	R	R
Employee Related Costs	391,318,457	409,378,942	18,060,485
Councillors' Remuneration	14,364,405	14,364,405	-

It must be noted that the variance of R 18,060 million relate to employee benefits liability provisions raised against the employee related costs.

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 2022/23 SDBIP will be considered, following the approval by Council of the 2022/23 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 EC108

Signature:..... 

Date:.....17 January 2023.....

	ANNEXURE "A"		
PROJECTS	Approved Original Budget 2022/23	Adjustments	Adjusted Budget 2022/23
District Municipality Funding			
Fire Vehicle	1,638,000	-	1,638,000
	1,638,000	-	1,638,000
Water Services Infrastructure Grant			
THORNHILL: GROUNDWATER DEVELOPMENT		2,869,565	2,869,565
LOERIE: GROUNDWATER DEVELOPMENT		2,956,522	2,956,522
HANKEY: BOREHOLES		3,304,348	3,304,348
HUMANSDORP BOREHOLE 7		3,043,478	3,043,478
ST FRANCIS BAY: BOREHOLES		3,565,217	3,565,217
HANKEY: WATER TREATMENT WORKS		3,217,391	3,217,391
JEFFREYS BAY: NEW OXIDATION WATER TREATMENT PLANT		6,434,783	6,434,783
HUMANSDORP: KRUISFONTEIN: BOREHOLES		12,260,870	12,260,870
HUMANSDORP :WATER TREATMENT WORKS		7,130,435	7,130,435
ST FRANCIS BAY: WATER TREATMENT WORKS		5,130,435	5,130,435
	-	49,913,044	49,913,044
Municipal Infrastructure Grant			
Upgrading of Gravel Roads in Humansdorp	6,687,112	4,865,358	11,552,470
Upgrading of Sports Facilities	4,521,739	-	4,521,739
Upgrade Sanitation System Old Hankey	18,440,235	4,865,358	13,574,877
	29,649,086	-	29,649,086
Total	31,287,086	49,913,044	81,200,130

ANNEXURE "B"

DIRECTORATES	DEPARTMENT	FUNDING	PROJECTS	Approved Original Budget 2022/23	Adjustments	Adjusted Budget 2022/23
COMMUNITY SERVICES	CARAVAN PARKS & CAMPING SITES	Internal	Furniture and Office Equipment	-	160,000	160,000
COMMUNITY SERVICES	FIRE SERVICES	DISTRICT	Fire Vehicle	1,638,000	-	1,638,000
COMMUNITY SERVICES	LAW ENFORCEMENT	Internal	Machinery & Equipment - Radio Communication	-	58,270	58,270
COMMUNITY SERVICES	LAW ENFORCEMENT	Internal	Transport Assets - Quardbike	-	95,598	95,598
COMMUNITY SERVICES	LAW ENFORCEMENT	Internal	Computer Equipment	-	387,811	387,811
COMMUNITY SERVICES	WASTE SERVICES	Finance lease	Vehicles	-	10,104,406	10,104,406
				1,638,000	10,806,085	12,444,085
CORPORATE SERVICES	INFORMATION TECHNOLOGY	Internal	Computer Equipment	1,020,000	500,000	1,520,000
CORPORATE SERVICES	INFORMATION TECHNOLOGY	Internal	Inverters		200,000	200,000
CORPORATE SERVICES	INFORMATION TECHNOLOGY	Internal	Local Server Storage Space		20,000	20,000
				1,020,000	720,000	1,740,000
EXECUTIVE & COUNCIL	MAYOR	Internal	Municipal Court - Office equipment	-	250,000	250,000
EXECUTIVE & COUNCIL	MAYORAL COMMITTEE	Internal	Furniture and Equipment - Ward Councillors Offices	-	150,000	150,000
EXECUTIVE & COUNCIL	MUNICIPAL MANAGER OFFICE	Internal	Furniture and equipment		50,000	50,000
EXECUTIVE & COUNCIL	Risk and Internal Audit Unit	Internal	Furniture and equipment	-	22,819	22,819
EXECUTIVE & COUNCIL	WARD COUNCILLORS	Internal	Ward councilors Capital project	750,000	-	750,000
				750,000	472,819	1,222,819
FINANCE	ASSET MANAGEMENT	Internal	AIR CONDITIONERS-WHOLE OF MUNICIPALITY	650,000	- 150,000	500,000
FINANCE	ASSET MANAGEMENT	Internal	Furniture and equipment	30,000	-	30,000
FINANCE	EXPENDITURE	Internal	Furniture and equipment	30,000	-	30,000
FINANCE	EXPENDITURE	Internal	Computer Equipment		150,000	150,000
FINANCE	REVENUE	Internal	Furniture and equipment		20,000	20,000
FINANCE	STORES	Internal	Refurbishment of stores building		250,000	250,000
				710,000	270,000	980,000

ANNEXURE "B"

DIRECTORATES	DEPARTMENT	FUNDING	PROJECTS	Approved Original Budget 2022/23	Adjustments	Adjusted Budget 2022/23
INFRASTRUCTURE & ENGINEERING	Electricity	Internal	Saffery Substation	1,023,347	550,000	1,573,347
INFRASTRUCTURE & ENGINEERING	Electricity	Internal	Machinery and Equipment	-	125,000	125,000
INFRASTRUCTURE & ENGINEERING	METERING & REVENUE	Internal	Bulk 66kv Overhead lines	715,068	550,000	165,068
INFRASTRUCTURE & ENGINEERING	PROJECT MANAGEMENT UNIT (PMU)	MIG	Upgrading of Sports Facilities	4,521,739	-	4,521,739
INFRASTRUCTURE & ENGINEERING	PROJECT MANAGEMENT UNIT (PMU)	Internal	Upgrading/Improvement of Sport Facilities within Kouga	-	1,080,555	1,080,555
INFRASTRUCTURE & ENGINEERING	PROJECT MANAGEMENT UNIT (PMU)	Internal	Mini Fresh Food and Craft Markets in Jbay & Hankey	400,000	-	400,000
INFRASTRUCTURE & ENGINEERING	Public Works	Internal	Machinery and Equipment	-	125,000	125,000
INFRASTRUCTURE & ENGINEERING	ROADS AND STORMWATER	MIG	Upgrading of Gravel Roads in Humansdorp	6,687,112	4,865,358	11,552,470
INFRASTRUCTURE & ENGINEERING	Sewerage	Internal	New bypass Sewer Rising Main and Pump Stations Jba	1,195,528	745,528	450,000
INFRASTRUCTURE & ENGINEERING	Sewerage	Internal	Upgrade Sewer Rising Mains Jbay (La Mer-4A-4B) Pre	902,858	742,858	160,000
INFRASTRUCTURE & ENGINEERING	Sewerage	Internal	Piped Reticulation - St Francis Bay	355,829	245,829	110,000
INFRASTRUCTURE & ENGINEERING	Sewerage	MIG	Upgrade Sanitation System Old Hankey	18,440,235	4,865,358	13,574,877
INFRASTRUCTURE & ENGINEERING	SEWERAGE	Internal	Upgrade Loerie sewer pump station	418,318	338,318	80,000
INFRASTRUCTURE & ENGINEERING	Sewerage	Internal	Machinery and Equipment	-	125,000	125,000
INFRASTRUCTURE & ENGINEERING	Sewerage	Internal	Koraal street overflow pond project	-	300,000	300,000
INFRASTRUCTURE & ENGINEERING	Water	Internal	Repair Leaking Concrete Water Tower Paradise Beach	501,966	401,966	100,000
INFRASTRUCTURE & ENGINEERING	Water	Internal	Replace 250mm Water Main Mimosa Street Jbay	405,488	345,488	60,000
INFRASTRUCTURE & ENGINEERING	Water	Internal	Replace Main Waterline South Rivier Bridge Crossing	-	110,000	110,000
INFRASTRUCTURE & ENGINEERING	Water	Internal	Machinery and Equipment	-	125,000	125,000
INFRASTRUCTURE & ENGINEERING	WATER	Internal	Connect 4 x drilled boreholes to treatment works	-	819,941	819,941
INFRASTRUCTURE & ENGINEERING	Water	Internal	Replace 250mm Water Main Canal Road St Francis Bay	-	65,000	65,000
INFRASTRUCTURE & ENGINEERING	WATER	Internal	WATER TANKS JEFFREYS BAY - DROUGHT PROJECT	-	388,060	388,060
INFRASTRUCTURE & ENGINEERING	WATER	Internal	Connecting Kruisfontein Boreholes to Humansdorp Water	-	3,255,369	3,255,369
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	HUMANSDORP BOREHOLE 7	-	3,043,478	3,043,478
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	ST FRANCIS BAY: BOREHOLES	-	3,565,217	3,565,217
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	THORNHILL: GROUNDWATER DEVELOPMENT	-	2,869,565	2,869,565
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	HANKEY: BOREHOLES	-	3,304,348	3,304,348
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	LOERIE: GROUNDWATER DEVELOPMENT	-	2,956,522	2,956,522
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	HUMANSDORP: KRUISFONTEIN: BOREHOLES	-	12,260,870	12,260,870
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	ST FRANCIS BAY: WATER TREATMENT WORKS	-	5,130,435	5,130,435
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	HUMANSDORP :WATER TREATMENT WORKS	-	7,130,435	7,130,435
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	HANKEY: WATER TREATMENT WORKS	-	3,217,391	3,217,391
INFRASTRUCTURE & ENGINEERING	WATER	WSIG	JEFFREYS BAY: NEW OXIDATION WATER TREATMENT PLANT	-	6,434,783	6,434,783
				35,567,488	53,611,982	89,179,470
PLANNING, DEVELOPMENT & TOURISM	LOCAL ECONOMIC DEVELOPMENT	Internal	Kouga Business Support Centre	-	364,985	364,985
PLANNING, DEVELOPMENT & TOURISM	Planning & Development	Internal	Computer Software and Applications	-	32,000	32,000
PLANNING, DEVELOPMENT & TOURISM	Planning & Development	Internal	Computer Equipment	-	20,000	20,000
PLANNING, DEVELOPMENT & TOURISM	Planning & Development	Internal	Implementation of the Jeffery bay CBD Precinct plan	-	2,000,000	2,000,000
				-	2,416,985	2,416,985
			Total	39,685,488	68,297,871	107,983,359