



1920 SCHEDULE B

201920 BUDGET ADJUSTMENTS

Budget & Reporting
Budget & Treasury Office
1920 SCHEDULE B

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Glossary

Adjustments budget – Prescribed in section 28 of the MFMA.

The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the municipality

MBRR – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations April 2009

MFMA – The Municipal Finance Management Act – No. 56 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Operating expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget. In Harry Gwala District Municipality means a directorate level.

PART 1 – ADJUSTMENTS BUDGET

1. Mayor’s Report

INTRODUCTION

The adjustment budget seeks to rectify issues identified in the mid-year assessment of the financial results as well as the inclusion of additional allocations. It is drafted in terms of section 28 of the MFMA and seeks to adhere to the stipulations of specifically section 28(2) of the MFMA. The adjustment budget seeks to rectify issue of unfunded budget as per National Treasury. The adjustment budget that the municipality is tabling is indeed funded in terms of section 18 of the MFMA.

BACKGROUND

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 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.
- ii. To authorise the utilisation of projected savings in one vote towards spending under another vote.
- 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 correct any errors in the annual budget.

In line with the MFMA, the 2019/20 approved Budget has now been adjusted. The adjustment has been mainly necessitated as a result of the following:

- To appropriate the reduction of revenues that have been deducted from the annual budget, but only to revise spending programmes already budgeted for

- The need to authorise the spending of unspent funds at the end of the 2018/2019 financial year.
- The Adjustments Budget reaffirms the Municipality's commitment to achieve the service delivery targets and performance indicators as reflected in the approved service delivery and budget implementation plan.

The process of budget adjustment also allows us to assess the state of our finances, reflect on the current challenges and design therapeutic measures that will turn around the finances of Harry Gwala District Municipality.

The purpose of the adjustment budget is to turn the municipality to a funded position Harry Gwala District Municipality budget is funded for 2019/20 and outer years. Due to the cost containment measures implemented the municipality will be able to turn the situation around in the 2021/22 financial year. A detailed financial recovery plan addressing the unfunded budget has been submitted to Provincial Treasury.

Much attention is given to the department of Water Services operational efficiency with considerable emphasis on operations and maintenance cost control and Corporate Services which is the department that runs with the day to day operations of the municipality. While most departments have seen a decrease in their budgets, the Water services budget has seen an increase by R 19, 5milllion due to the nature of the operations and repairs and maintenance undertaken under this department, Infrastructure Services also shows an increase because of the depreciation.

2. Resolutions

It is recommended that the Harry Gwala District Municipal Council;

2.1 Approves the adjustments budget and consolidated adjustments budget for the financial year 2019/2020, as set-out in the schedules contained in Section 4, be approved:

2.2 Approves any adjustments permitted in terms of Section 28 (2) of the Act,

2.3 Approves the revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, if any, to correspond with the approval of the adjustments budget.

2.4 Notes the Provincial Treasury comments and their effect on the Adjustments budget

3. Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains viable and that the municipality services are provided sustainably, economically and equitably to all communities. The Adjustment budget is intended to address the issue of unfunded budget and material variances that were highlighted by Provincial Treasury assessment in the adopted budget in May 2019.

It is critical to note that this report s28 MFMA report has been prepared as informed by the National Treasury that Harry Gwala District Municipality has adopted an unfunded budget for the 2019/20 financial year presented to Council in May 2019 in terms of s24 of the MFMA.

The Adjusted revenue has increased by R18, 4m (3%) from R722, 9m to R741, 4m. This upward adjustment is mainly due to following major contributing factors;

Conditional Grants

- COGTA Grant R 15m
- Energy Efficiency And Demand Management Grant R 7m

The Adjusted operations budget is R550, 3m having increased by R26, 1million from the original budget of R524, 1million. The item below had the major movements

- Decrease of R2, 6m employee related costs
- An increase on Operational cost of R2, 4million for fuel
- An increase on contracted services mainly due to the reclassification R17m from capital grants to the contracted services budget.
- Energy Efficiency of R7million under contracted services

To this end much attention is given to the department of Water Services and Corporate Services. While other departments have seen a decrease in their budgets, the corporate services budget has seen an increase of 5% due to the nature of the operations and Water

Services for repairs and maintenance undertaken under this department. Water services department also hosts the largest percentage of the municipality's labour force.

The capital budget has decreased from R280, 6million to R279, 1million. This is mainly attributable to the downward adjustment of the following;

- This is attributable to the reduction of a number of capital projects that would not be capitalized were shifted to the operations budget. A number of capital projects totaling to R17million.
- There is a new funding from Cooperative Governance and Traditional Affairs of R15million for water infrastructure projects.

CONSOLIDATED REVENUE

The Consolidated Adjusted revenue has increased by R25, 4m (4%) from R723, 9m to R749, 3m. This upward adjustment is mainly due to following major contributing factors;

- Operating Transfers and Grants: Grant from National Treasury has been increased this is as a result of Energy Efficiency and demand side Management Grant that was not gazette on the final DORA.
- Capital Transfers and Grants: Grant from Provincial Treasury has been increased this is as a result of COGTA grant for water intervention.
- Other Revenue: Other revenue include Tender documents and Clearance certificates. The adjustment is due to vegetables and sour milk that was sold to Department of Education for Harry Gwala Development Agency.

CONSOLIDATED OPERATING EXPENDITURE

The Adjusted operations budget is R557, 4m having increased by R32, 5million from the original budget of R524, 8million. The item below had the major movements

- ✓ Employee Related Costs: There is a upward adjustment of R 672 175 under employee related costs due to increased that was implemented in the preparation of original budget. The upward adjustment is due to increase of employee related costs for Harry Gwala Development Agency.
- ✓ Contracted Services: An increase on contracted services mainly due to the reclassification of R16, 5m from capital grants to the contracted services budget. There is also a decrease in Security services amounting to R3, 2m as per financial plan that was submitted to Provincial Treasury.
- ✓ Legal Costs: This have been adjusted downward by R1m due to cost containment measures and the municipality is intending on using internal resource which is Director Legal.
- ✓ Operation and Maintenance: There is an adjustment of R 3, 2million on operations and maintenance as the original budget was under budgeted because of cash constraints and the threshold is 8 per cent of PPE.
- Other expenditure: An Increase also as a result of unrealistic original budget. And taking into account the expenditure incurred in the past 7 months.
 - ✓ Telephones: There is no much adjustment as the upward adjustment was done in November 2019. This have been adjusted upward by R 74 418.
 - ✓ Fuel and Oil: This is informed by expenditure incurred to date and projected demand for the remaining month of the 2019/20 financial year. This has

seen an upward adjustment by R2, 4m to R7, 8million from the original budget of R 5, 4million

CONSOLIDATED CAPITAL BUDGET

The capital budget has decreased from R280, 8million to R279, 2million. This is mainly attributable to the downward adjustment of the following grants;

- ✓ Reduced of Internally Generated Funds R24 800
- ✓ Computer Software and Equipment (HGDA) R 175 000

TABLE B 1 ADJUSTMENT BUDGET SUMMARY

Table B1 below provides a summary of the budget adjustment of the municipality and is unpacked in the sections that follow.

DC43 Harry Gwala - Table B1 Consolidated Adjustments Budget Summary - 43893

Description	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted 1	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	A1	E	F	G	H		
Financial Performance								
Property rates	-	-	-	-	-	-	-	-
Service charges	88 392	67 065	-	-	-	67 065	70 687	74 504
Investment revenue	11 161	11 161	-	(3 904)	(3 904)	7 257	10 000	10 000
Transfers recognised - operational	366 404	359 405	7 000	16 104	23 104	382 508	381 500	412 443
Other own revenue	10 440	10 440	-	7 713	7 713	18 153	11 061	11 720
Total Revenue (excluding capital transfers and contributions)	476 396	448 071	7 000	19 913	26 913	474 984	473 248	508 667
Employee costs	205 726	205 726	-	672	672	206 398	219 098	233 339
Remuneration of councillors	7 574	7 574	-	-	-	7 574	7 983	8 414
Depreciation & asset impairment	38 192	79 590	-	704	704	80 294	89 560	101 361
Finance charges	3 522	3 522	-	658	658	4 180	3 712	3 913
Materials and bulk purchases	30 443	25 648	-	8 179	8 179	33 827	26 147	27 559
Other expenditure	184 141	202 814	-	22 367	22 367	225 181	187 904	183 814
Total Expenditure	469 599	524 874	-	32 580	32 580	557 454	534 405	558 400
Surplus/(Deficit)	6 798	(76 803)	7 000	(12 667)	(5 667)	(82 470)	(61 157)	(49 733)
Transfers recognised - capital	275 839	275 839	15 000	(16 504)	(1 504)	274 335	302 870	358 946
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213
Surplus/ (Deficit) for the year	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213
Capital expenditure & funds sources								
Capital expenditure	282 624	280 884	-	(1 654)	(1 654)	279 230	305 227	361 855
Transfers recognised - capital	275 978	275 838	-	(1 504)	(1 504)	274 335	302 870	359 371
Internally generated funds	6 646	5 046	-	(150)	(150)	4 895	2 357	2 484
Total sources of capital funds	282 624	280 884	-	(1 654)	(1 654)	279 230	305 227	361 855
Financial position								
Total current assets	207 794	282 609	-	(184 140)	(184 140)	98 469	112 571	145 599
Total non current assets	2 386 802	1 884 174	-	(1 654)	(1 654)	1 882 520	1 995 471	2 115 199
Total current liabilities	240 562	155 240	-	(74 991)	(74 991)	80 249	110 168	113 387
Total non current liabilities	69 648	36 242	-	248	248	36 490	27 811	25 786
Community wealth/Equity	2 284 386	1 975 301	-	(111 052)	(111 052)	1 864 249	1 970 062	2 121 625

Table B1 Cont.....

DC43 Harry Gwala - Table B1 Consolidated Adjustments Budget Summary - 43893

Description	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted 1	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	A1	E	F	G	H		
Cash flows								
Net cash from (used) operating	294 323	231 948	22 000	(20 686)	1 314	233 262	288 010	323 738
Net cash from (used) investing	(282 624)	(280 884)	-	1 479	1 479	(279 405)	(263 488)	(277 232)
Net cash from (used) financing	(3 896)	(12 528)	-	-	-	(12 528)	(15 235)	(18 582)
Cash/cash equivalents at the year end	120 138	10 129	22 000	(19 207)	2 793	12 922	22 209	50 133
Cash backing/surplus reconciliation								
Cash and investments available	128 072	207 062	-	(194 140)	(194 140)	12 922	22 209	50 133
Application of cash and investments	160 200	15 021	-	(41 532)	(41 532)	(26 511)	(26 442)	(31 723)
Balance - surplus (shortfall)	(32 129)	192 041	-	(152 609)	(152 609)	39 433	48 651	81 856
Asset Management								
Asset register summary (WDV)	1 775 568	1 773 828	-	(1 654)	(1 654)	1 772 174	1 539 811	1 658 169
Depreciation & asset impairment	38 192	79 590	-	704	704	80 294	89 560	101 361
Renewal and Upgrading of Existing Assets	182 209	181 709	-	(22 272)	(22 272)	159 437	211 635	173 955
Repairs and Maintenance	22 346	26 834	-	(5 713)	(5 713)	21 121	24 362	20 523
Free services								
Cost of Free Basic Services provided	6 189	6 189	-	-	-	6 189	6 561	6 954
Revenue cost of free services provided	-	-	-	-	-	-	-	-
Households below minimum service level								
Water:	30	30	-	-	-	30	29	31
Sanitation/sewerage:	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-

TABLE B2 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

Schedule B2 is the Expenditure by standard classification presents the adjustment expenditures by the departments.

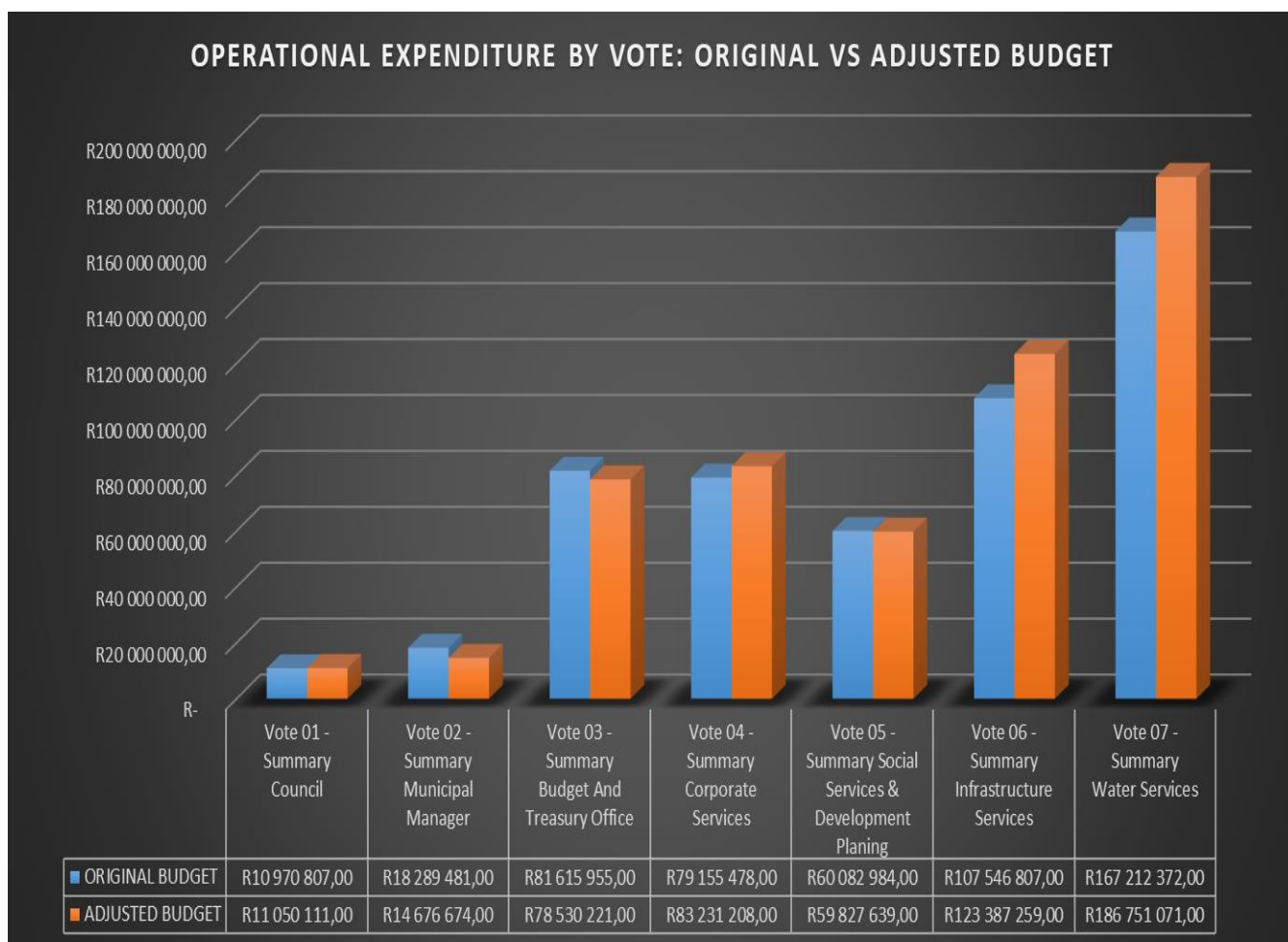
DC43 Harry Gwala - Table B2 Consolidated Adjustments Budget Financial Performance (functional classification) - 43893

Standard Description	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	5 A1	9 E	10 F	11 G	12 H		
Revenue - Functional								
Governance and administration	367 364	367 364	-	(3 554)	(3 554)	363 811	394 310	425 325
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	367 364	367 364	-	(3 554)	(3 554)	363 811	394 310	425 325
Internal audit	-	-	-	-	-	-	-	-
Economic and environmental services	946	946	-	6 963	6 963	7 908	440	465
Planning and development	946	946	-	6 963	6 963	7 908	440	465
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Trading services	383 925	355 599	22 000	-	22 000	377 599	381 368	441 823
Energy sources	7 000	0	7 000	-	7 000	7 000	-	-
Water management	351 168	336 240	-	-	-	336 240	360 162	419 472
Waste water management	25 757	19 359	15 000	-	15 000	34 359	21 206	22 351
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue - Functional	752 235	723 909	22 000	3 409	25 409	749 318	776 118	867 612
Expenditure - Functional								
Governance and administration	212 801	245 730	-	(18 180)	(18 180)	227 550	244 168	244 115
Executive and council	25 782	24 943	-	(6 663)	(6 663)	18 280	25 597	26 513
Finance and administration	182 707	216 470	-	(14 647)	(14 647)	201 823	214 218	213 208
Internal audit	4 312	4 317	-	3 129	3 129	7 447	4 352	4 395
Community and public safety	11 180	10 880	-	5 028	5 028	15 908	12 056	12 966
Community and social services	11 180	10 880	-	5 028	5 028	15 908	12 056	12 966
Economic and environmental services	131 383	156 750	-	10 557	10 557	167 307	155 623	172 628
Planning and development	131 383	156 750	-	10 557	10 557	167 307	155 623	172 628
Trading services	114 236	111 514	-	35 175	35 175	146 690	122 558	128 690
Energy sources	-	-	-	-	-	-	-	-
Water management	113 919	111 193	-	28 831	28 831	140 024	122 216	128 321
Waste water management	317	321	-	6 344	6 344	6 665	342	369
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditure - Functional	469 599	524 874	-	32 580	32 580	557 454	534 405	558 400
Surplus/ (Deficit) for the year	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213

The revenue of the municipality has increased by 4% from R723, 9million originally approved budget to R749, 3million. The water management has seen the biggest increase in revenue due to the new funding from COGTA for water intervention and Energy Efficient and Management Grant totalling to R22million.

Operational expenditure has increased by 6% to R557million. This increase is largely attributed to the Corporate Services which is responsible for the security of the municipality and the fleet followed by water services department which is responsible for water and sanitation provision. The infrastructure department has also contributed to this increase by the transfer of the capital projects from the capital budget to the operations budget.

Chart 1: Adjusted Operation Budget by Standard Classification



Some major differences above are caused by the cash flow constraint facing the municipality as a result of the limited revenue, while most departments have seen a decrease in their budgets, the Corporate Services budget has seen an increase of 5% due to the nature of the operations of the municipality and water services increased by 12% due to nature of the operations and repairs and maintenance undertaken under water services department. This department also hosts the largest percentage of the

municipality's labour force. On the chart above it shows that Infrastructure services budget also increased, the reason for the increase is the depreciation and expenditure on new grants.

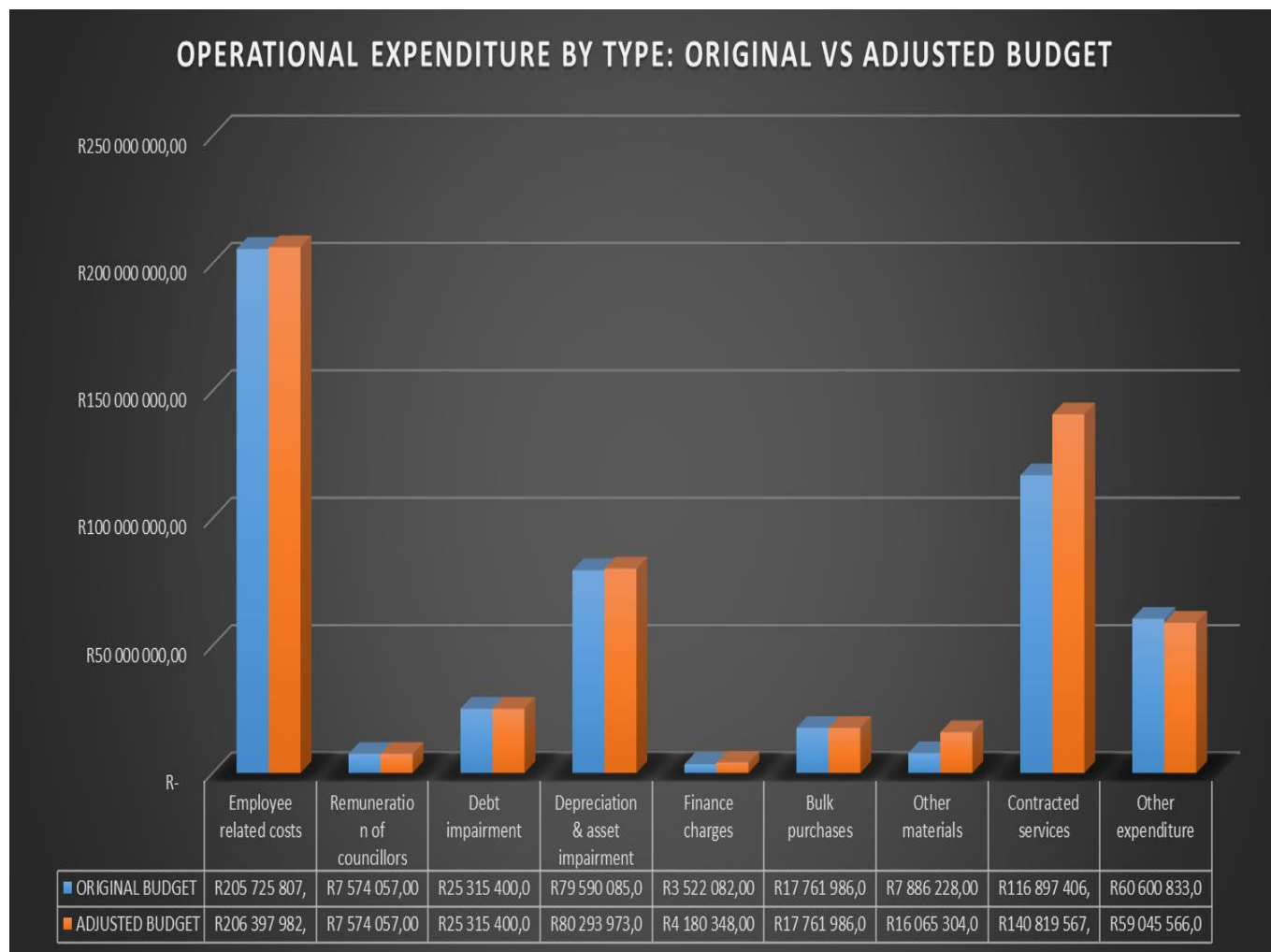
TABLE B3 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

Table B3 presents the same information as the table above, the difference being that it's by Municipal vote.

DC43 Harry Gwala - Table B3 Consolidated Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - 43893

Vote Description <i>[Insert departmental structure etc]</i>	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	3	7	8	9	10			
R thousands	A	A1	E	F	G	H		
Revenue by Vote								
Vote 01 - Summary Council	-	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	367 364	367 364	-	(3 554)	(3 554)	363 811	394 310	425 325
Vote 04 - Summary Corporate Services	-	-	-	-	-	-	-	-
Vote 05 - Summary Social Services & Development Planning	946	946	-	6 963	6 963	7 908	440	465
Vote 06 - Summary Infrastructure Services	295 533	288 534	7 000	-	7 000	295 534	310 681	367 319
Vote 07 - Summary Water Services	88 392	67 065	15 000	-	15 000	82 065	70 687	74 504
Total Revenue by Vote	752 235	723 909	22 000	3 409	25 409	749 318	776 118	867 612
Expenditure by Vote								
Vote 01 - Summary Council	12 958	10 971	-	79	79	11 050	13 447	14 173
Vote 02 - Summary Municipal Manager	17 136	18 289	-	(3 613)	(3 613)	14 677	16 502	16 734
Vote 03 - Summary Budget And Treasury Office	76 953	81 616	-	(3 086)	(3 086)	78 530	89 677	90 916
Vote 04 - Summary Corporate Services	67 212	79 155	-	4 076	4 076	83 231	73 266	72 665
Vote 05 - Summary Social Services & Development Planning	64 727	60 083	-	(255)	(255)	59 828	50 204	54 220
Vote 06 - Summary Infrastructure Services	77 835	107 547	-	15 840	15 840	123 387	117 475	131 375
Vote 07 - Summary Water Services	152 777	167 212	-	19 539	19 539	186 751	173 834	178 317
Total Expenditure by Vote	469 599	524 874	-	32 580	32 580	557 454	534 405	558 400
Surplus/ (Deficit) for the year	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213

Chart 2: Adjustment budget financial performance



The graph above presents the adjustment budget expenditure by type.

The expenditure on Contracted Services together has seen an increase of R23, 9million due to projects that has been moved from capital budget to operational budget. Employee related costs adjusted downward due to projected increase of 8 per cent and reduced to 6, 5per cent and the consolidated employee related costs increased by R 672 157. Finance charges also increased by R658 266 due to finance lease interest.

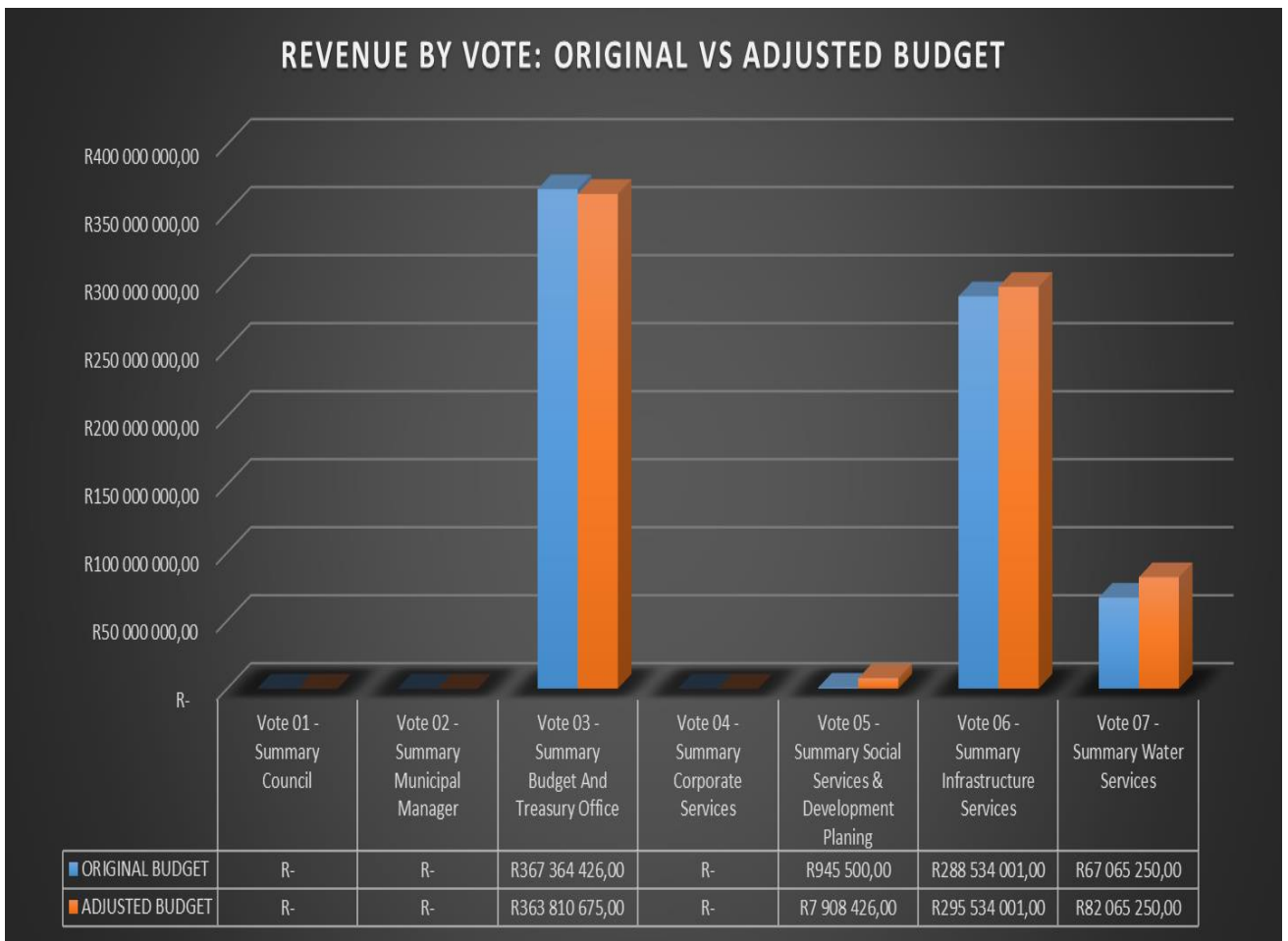
TABLE B4 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

This schedule provides information on the adjustment revenue by source and adjustment operational expenditures by type.

DC43 Harry Gwala - Table B4 Consolidated Adjustments Budget Financial Performance (revenue and expenditure) - 43893

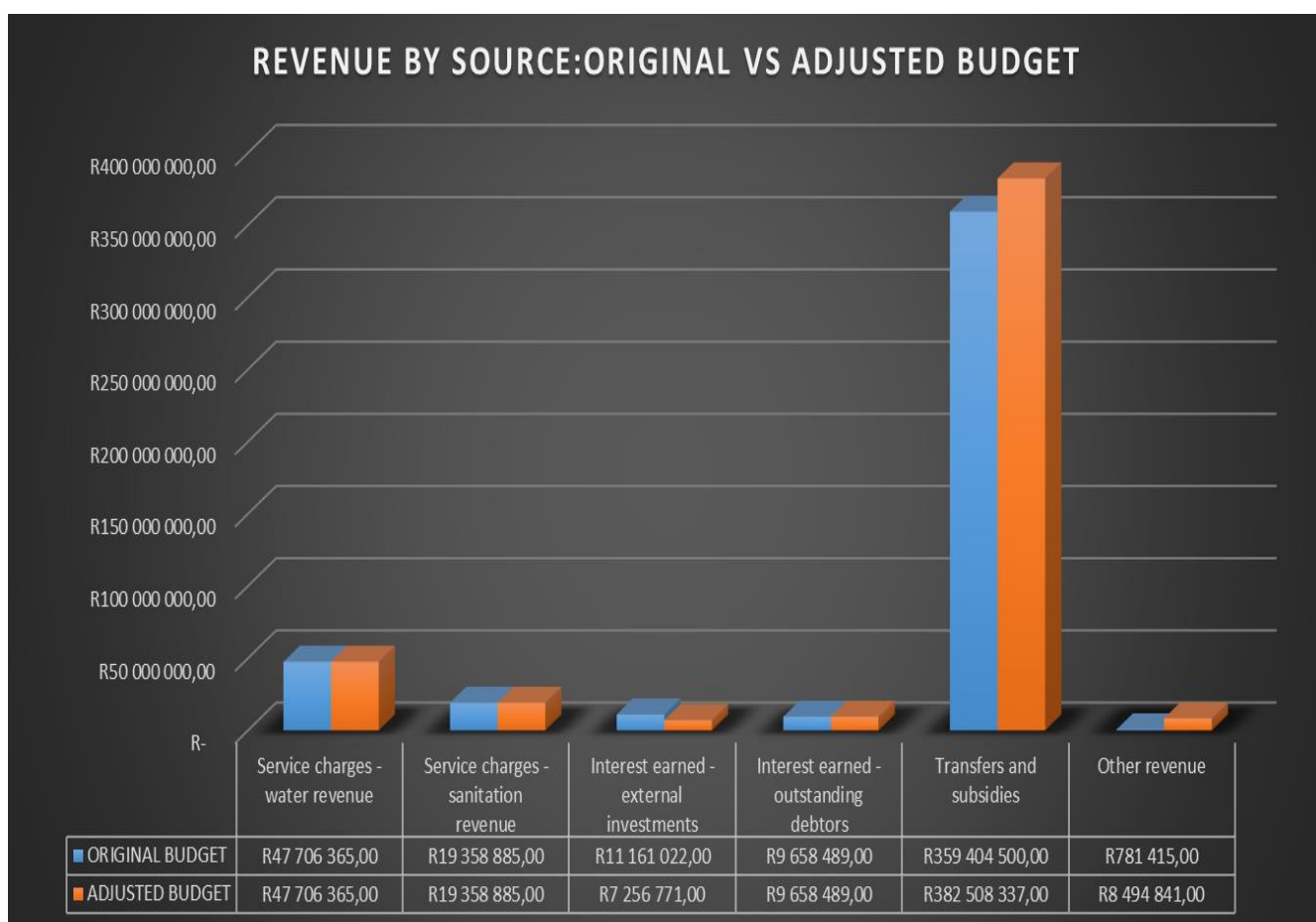
Description	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted 3	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	A	A1	E	F	G	H		
Revenue By Source								
Property rates	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	62 635	47 706	-	-	-	47 706	49 481	52 153
Service charges - sanitation revenue	25 757	19 359	-	-	-	19 359	21 206	22 351
Rental of facilities and equipment	-	-	-	-	-	-	-	-
Interest earned - external investments	11 161	11 161	-	(3 904)	(3 904)	7 257	10 000	10 000
Interest earned - outstanding debtors	9 658	9 658	-	-	-	9 658	10 238	10 852
Transfers and subsidies	366 404	359 405	7 000	16 104	23 104	382 508	381 500	412 443
Other revenue	781	781	-	7 713	7 713	8 495	823	867
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	476 396	448 071	7 000	19 913	26 913	474 984	473 248	508 667
Expenditure By Type								
Employee related costs	205 726	205 726	-	672	672	206 398	219 098	233 339
Remuneration of councillors	7 574	7 574	-	-	-	7 574	7 983	8 414
Debt impairment	25 315	25 315	-	-	-	25 315	27 037	28 875
Depreciation & asset impairment	38 192	79 590	-	704	704	80 294	89 560	101 361
Finance charges	3 522	3 522	-	658	658	4 180	3 712	3 913
Bulk purchases	15 000	17 762	-	-	-	17 762	18 721	19 732
Other materials	15 443	7 886	-	8 179	8 179	16 065	7 425	7 827
Contracted services	101 502	116 897	-	23 922	23 922	140 820	121 932	113 234
Other expenditure	57 324	60 601	-	(1 555)	(1 555)	59 046	38 936	41 705
Loss on disposal of PPE	-	-	-	-	-	-	-	-
Total Expenditure	469 599	524 874	-	32 580	32 580	557 454	534 405	558 400
Surplus/(Deficit)	6 798	(76 803)	7 000	(12 667)	(5 667)	(82 470)	(61 157)	(49 733)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	275 839	275 839	15 000	(16 504)	(1 504)	274 335	302 870	358 946
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	282 636	199 035	22 000	(29 171)	(7 171)	191 864	241 713	309 213

Chart 3: Revenue by Vote



The above graph presents the adjustment budget by source

Chart 4: Revenue by Source



There is no adjustment for water and sanitation charges revenue. There is a downward adjustment on Interest on external investment due to actual receipts incurred for the past 7 months and there is an increase on operational transfers and subsidies of R7million for Energy and movement from capital budget to operational budget of R22 million.

Other Revenue: There is an upward adjustment of R 8, 4million. The original budget was R781 415 and adjusted to R8, 4million due to the supply of fruit and vegetables to schools surrounding Harry Gwala District Municipality supplied by Development Agency.

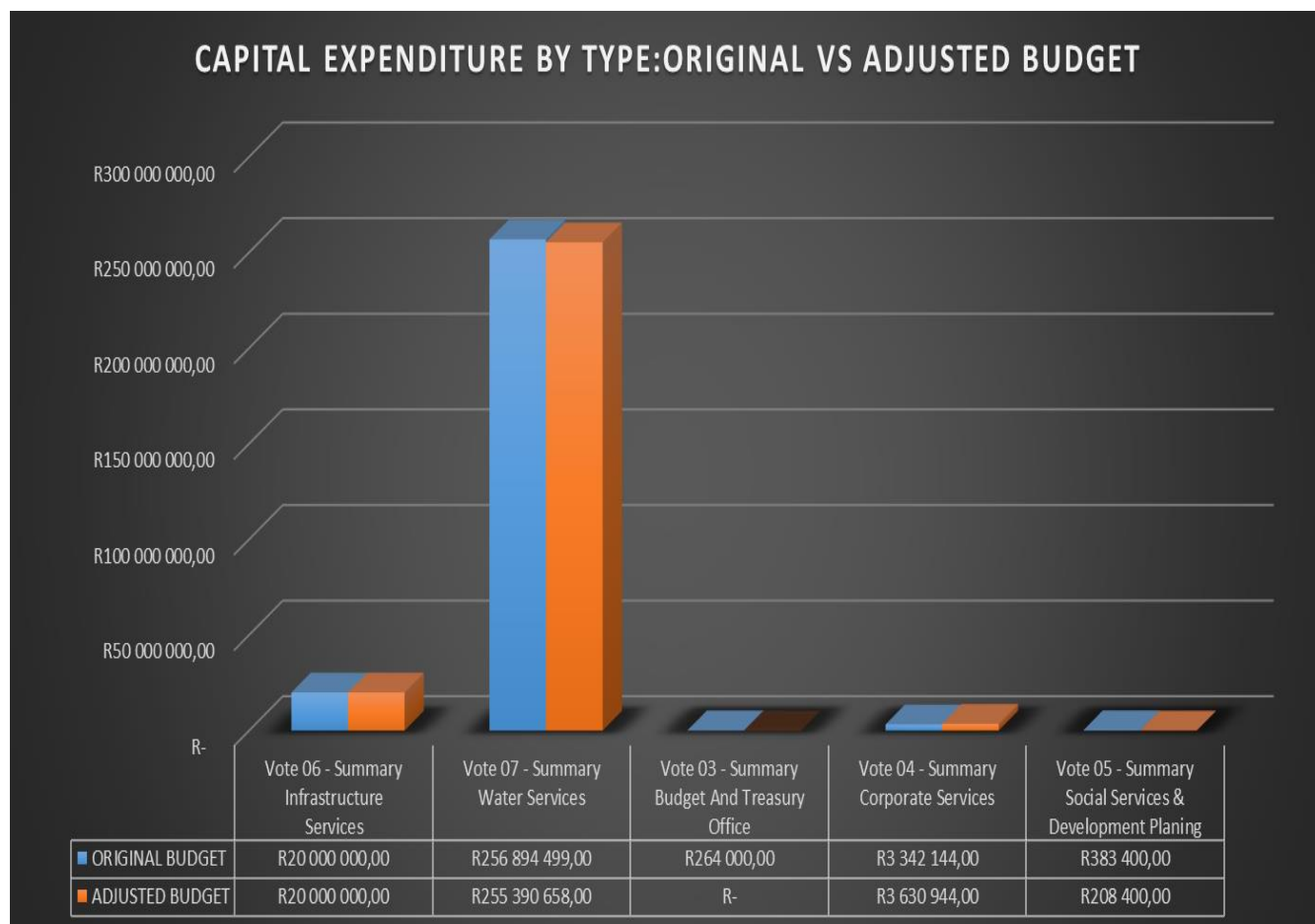
TABLE B5 ADJUSTMENT CAPITAL EXPENDITURE BUDGET BY VOTE AND FUNDING

Schedule B5 below reports on the adjusted capital expenditures by departments (municipal vote) and also by standard classification. The bottom part of the schedule looks at the funding sources of the capital projects.

DC43 Harry Gwala - Table B5 Consolidated Adjustments Capital Expenditure Budget by vote and funding - 43893

Description	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	5 A1	9 E	10 F	11 G	12 H		
Capital expenditure - Vote								
Multi-year expenditure to be adjusted								
Vote 04 - Summary Corporate Services	-	-	-	-	-	-	-	-
Vote 05 - Summary Social Services & Development Planning	-	-	-	-	-	-	-	-
Vote 06 - Summary Infrastructure Services	20 000	20 000	-	-	-	20 000	25 506	60 000
Vote 07 - Summary Water Services	145 243	145 243	-	104	104	145 348	217 343	148 804
Capital multi-year expenditure sub-total	165 243	165 243	-	104	104	165 348	242 849	208 804
Single-year expenditure to be adjusted								
Vote 01 - Summary Council	-	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	404	264	-	(264)	(264)	-	278	293
Vote 04 - Summary Corporate Services	4 942	3 342	-	289	289	3 631	2 078	2 191
Vote 05 - Summary Social Services & Development Planning	383	383	-	(175)	(175)	208	-	-
Vote 06 - Summary Infrastructure Services	-	-	-	-	-	-	-	-
Vote 07 - Summary Water Services	111 651	111 651	-	(1 608)	(1 608)	110 043	60 021	150 567
Capital single-year expenditure sub-total	117 381	115 641	-	(1 759)	(1 759)	113 882	62 378	153 051
Total Capital Expenditure - Vote	282 624	280 884	-	(1 654)	(1 654)	279 230	305 227	361 855
Capital Expenditure - Functional								
Governance and administration	5 346	3 606	-	25	25	3 631	2 357	2 484
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	5 346	3 606	-	25	25	3 631	2 357	2 484
Internal audit	-	-	-	-	-	-	-	-
Economic and environmental services	383	383	-	(175)	(175)	208	-	-
Planning and development	383	383	-	(175)	(175)	208	-	-
Trading services	276 894	276 894	-	(1 504)	(1 504)	275 391	302 870	359 371
Energy sources	-	-	-	-	-	-	-	-
Water management	213 071	213 071	-	16 692	16 692	229 763	192 669	318 740
Waste water management	63 824	63 824	-	(18 195)	(18 195)	45 628	110 201	40 631
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	282 624	280 884	-	(1 654)	(1 654)	279 230	305 227	361 855
Funded by:								
National Government	275 978	275 838	-	(16 504)	(16 504)	259 335	302 870	359 371
Provincial Government	-	-	15 000	-	15 000	15 000	-	-
Transfers recognised - capital	275 978	275 838	15 000	(16 504)	(1 504)	274 335	302 870	359 371
Internally generated funds	6 646	5 046	-	(150)	(150)	4 895	2 357	2 484
Total Capital Funding	282 624	280 884	15 000	(16 654)	(1 654)	279 230	305 227	361 855

Chart 6: Capital Expenditure by Type



The originally approved capital budget was R 280, 8million and adjusted budget is R 279, 3million. This is mainly attributable to limited cash flow and to the downward adjustment of the internally generated funds.

TABLE B6 ADJUSTMENTS BUDGET FINANCIAL POSITION

Table C6 displays the adjustment budget financial position of the municipality

DC43 Harry Gwala - Table B6 Consolidated Adjustments Budget Financial Position - 43893

Description	Budget Year 2019/20					Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	A1	F	G	H		
ASSETS							
Current assets							
Cash	124 239	169 975	(160 384)	(160 384)	9 590	18 069	45 787
Call investment deposits	3 833	37 087	(33 756)	(33 756)	3 331	4 139	4 346
Consumer debtors	33 474	42 739	-	-	42 739	45 303	48 021
Other debtors	46 039	32 638	10 000	10 000	42 638	44 878	47 253
Current portion of long-term receivables	-	-	-	-	-	-	-
Inventory	210	171	-	-	171	181	192
Total current assets	207 794	282 609	(184 140)	(184 140)	98 469	112 571	145 599
Non current assets							
Investment in Associate	-	-	-	-	-	-	-
Property, plant and equipment	2 386 015	1 882 858	(1 554)	(1 554)	1 881 304	1 994 182	2 113 833
Intangible	787	1 316	(100)	(100)	1 216	1 289	1 366
Other non-current assets	0	0	-	-	0	0	0
Total non current assets	2 386 802	1 884 174	(1 654)	(1 654)	1 882 520	1 995 471	2 115 199
TOTAL ASSETS	2 594 596	2 166 783	(185 794)	(185 794)	1 980 989	2 108 042	2 260 798
LIABILITIES							
Current liabilities							
Borrowing	-	12 678	(8 388)	(8 388)	4 290	4 400	1 287
Consumer deposits	1 681	1 740	-	-	1 740	1 845	1 956
Trade and other payables	220 377	131 248	(66 603)	(66 603)	64 645	93 775	99 387
Provisions	18 504	9 574	-	-	9 574	10 148	10 757
Total current liabilities	240 562	155 240	(74 991)	(74 991)	80 249	110 168	113 387
Non current liabilities							
Borrowing	44 552	13 292	248	248	13 541	3 485	-
Provisions	25 095	22 949	-	-	22 949	24 326	25 786
Total non current liabilities	69 648	36 242	248	248	36 490	27 811	25 786
TOTAL LIABILITIES	310 209	191 482	(74 742)	(74 742)	116 740	137 979	139 173
NET ASSETS	2 284 386	1 975 301	(111 052)	(111 052)	1 864 249	1 970 062	2 121 625
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)	2 284 386	1 975 301	(111 052)	(111 052)	1 864 249	1 970 062	2 121 625
TOTAL COMMUNITY WEALTH/EQUITY	2 284 386	1 975 301	(111 052)	(111 052)	1 864 249	1 970 062	2 121 625

TABLE B7 ADJUSTMENTS BUDGET CASH FLOWS

DC43 Harry Gwala - Table B7 Consolidated Adjustments Budget Cash Flows - 43893

Description	Budget Year 2019/20						Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	A1	E	F	G	H		
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates					-	-		
Service charges	47 732	47 732		4 258	4 258	51 990	52 931	54 345
Other revenue	781	781		10 844	10 844	11 626	823	867
Government - operating	366 404	316 404	7 000	16 504	23 504	339 907	381 076	411 458
Government - capital	275 839	275 839	15 000	(16 504)	(1 504)	274 335	263 488	277 232
Interest	9 658	11 161		(3 904)	(3 904)	7 257	7 500	8 000
Payments								
Suppliers and employees	(402 569)	(416 446)		(31 226)	(31 226)	(447 672)	(414 096)	(424 251)
Finance charges	(3 522)	(3 522)		(658)	(658)	(4 180)	(3 712)	(3 913)
Transfers and Grants					-	-		
NET CASH FROM/(USED) OPERATING ACTIVITIES	294 323	231 948	22 000	(20 686)	1 314	233 262	288 010	323 738
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(282 624)	(280 884)		1 479	1 479	(279 405)	(263 488)	(277 232)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(282 624)	(280 884)	-	1 479	1 479	(279 405)	(263 488)	(277 232)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase (decrease) in consumer deposits					-	-		
Payments								
Repayment of borrowing	(3 896)	(12 528)			-	(12 528)	(15 235)	(18 582)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(3 896)	(12 528)	-	-	-	(12 528)	(15 235)	(18 582)
NET INCREASE/ (DECREASE) IN CASH HELD	7 803	(61 464)	22 000	(19 207)	2 793	(58 671)	9 287	27 924
Cash/cash equivalents at the year begin:	112 336	71 593			-	71 593	12 922	22 209
Cash/cash equivalents at the year end:	120 138	10 129	22 000	(19 207)	2 793	12 922	22 209	50 133

Collection for service charges adjusted upward due to increase in collection for the 2018/2019 financial year. The actual collection for 2018/19 was R51m. For the 2019/2020 financial year, the actual collection for the 7 months was R30, 2m and the average is at R4, 3million. The projections for the next 5 months will be at R21, 6million. The municipality will collect R52million for the 2019/2020 financial year using the past 7 months performance.

TABLE B8 CASH BACKED RESERVES / ACCUMULATED SURPLUS RECONCILIATION

DC43 Harry Gwala - Table B8 Consolidated Cash backed reserves/accumulated surplus reconciliation - 43893

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2020/21	+2 2021/22
R thousands	A	A1	E	F	G	H		
Cash and investments available								
Cash/cash equivalents at the year end	120 138	10 129	22 000	(19 207)	2 793	12 922	22 209	50 133
Other current investments > 90 days	7 933	196 933	(22 000)	(174 933)	(196 933)	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-
Cash and investments available:	128 072	207 062	-	(194 140)	(194 140)	12 922	22 209	50 133
Applications of cash and investments								
Unspent conditional transfers	56 736	39 678	-	(39 442)	(39 442)	236	236	236
Unspent borrowing	-	-	-	-	-	-	-	-
Statutory requirements	-	(57 087)	-	18 000	18 000	(39 087)	(42 077)	(49 759)
Other working capital requirements	103 464	20 766	-	(20 090)	(20 090)	676	9 199	11 600
Other provisions	-	11 664	-	-	-	11 664	6 200	6 200
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-
Total Application of cash and investments:	160 200	15 021	-	(41 532)	(41 532)	(26 511)	(26 442)	(31 723)
Surplus(shortfall)	(32 129)	192 041	-	(152 609)	(152 609)	39 433	48 651	81 856

TABLE B9 ASSET MANAGEMENT

DC43 Harry Gwala - Table B9 Consolidated Asset Management - 24/02/2020

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original	Prior Adjusted	Nat. or Prov.	Other Adjusts.	Total Adjusts.	Adjusted	Adjusted	
	Budget	7	Govt	12	13	Budget	Budget	
	A	A1	E	F	G	H		
R thousands								
CAPITAL EXPENDITURE								
Total New Assets to be adjusted	100 415	99 175	-	20 618	20 618	119 793	93 592	187 900
<i>Water Supply Infrastructure</i>	96 344	96 344	-	20 568	20 568	116 912	91 522	185 718
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
Infrastructure	96 344	96 344	-	20 568	20 568	116 912	91 522	185 718
Community Facilities	25	25	-	(25)	(25)	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-
Community Assets	25	25	-	(25)	(25)	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-
Housing	211	211	-	(211)	(211)	-	-	-
Other Assets	211	211	-	(211)	(211)	-	-	-
Licences and Rights	100	100	-	(100)	(100)	-	-	-
Intangible Assets	100	100	-	(100)	(100)	-	-	-
Computer Equipment	1 450	1 450	-	-	-	1 450	-	-
Furniture and Office Equipment	1 996	756	-	675	675	1 431	1 792	1 889
Machinery and Equipment	289	289	-	(289)	(289)	-	278	293
Total Renewal of Existing Assets to be adjusted	97 515	97 015	-	2 181	2 181	99 196	111 728	69 914
<i>Water Supply Infrastructure</i>	53 887	53 887	-	(7 024)	(7 024)	46 864	68 900	63 980
<i>Sanitation Infrastructure</i>	41 970	41 970	-	9 405	9 405	51 374	42 541	5 631
Infrastructure	95 857	95 857	-	2 381	2 381	98 238	111 442	69 611
Machinery and Equipment	158	158	-	-	-	158	-	-
Transport Assets	1 500	1 000	-	(200)	(200)	800	287	302
Total Upgrading of Existing Assets to be adjusted	84 693	84 693	-	(24 452)	(24 452)	60 241	99 906	104 042
<i>Water Supply Infrastructure</i>	59 640	59 640	-	(1 852)	(1 852)	57 788	31 497	68 442
<i>Sanitation Infrastructure</i>	25 053	25 053	-	(22 600)	(22 600)	2 453	68 410	35 600
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
Infrastructure	84 693	84 693	-	(24 452)	(24 452)	60 241	99 906	104 042
Total Capital Expenditure to be adjusted	282 624	280 884	-	(1 654)	(1 654)	279 230	305 227	361 855
<i>Water Supply Infrastructure</i>	209 872	209 872	-	11 692	11 692	221 563	191 919	318 140
<i>Sanitation Infrastructure</i>	67 023	67 023	-	(13 195)	(13 195)	53 827	110 951	41 231
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
Infrastructure	276 894	276 894	-	(1 504)	(1 504)	275 391	302 870	359 371
Community Facilities	25	25	-	(25)	(25)	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-
Community Assets	25	25	-	(25)	(25)	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-
Housing	211	211	-	(211)	(211)	-	-	-
Other Assets	211	211	-	(211)	(211)	-	-	-
Licences and Rights	100	100	-	(100)	(100)	-	-	-
Intangible Assets	100	100	-	(100)	(100)	-	-	-
Computer Equipment	1 450	1 450	-	-	-	1 450	-	-
Furniture and Office Equipment	1 996	756	-	675	675	1 431	1 792	1 889
Machinery and Equipment	447	447	-	(289)	(289)	158	278	293
Transport Assets	1 500	1 000	-	(200)	(200)	800	287	302
TOTAL CAPITAL EXPENDITURE to be adjusted	282 624	280 884	-	(1 654)	(1 654)	279 230	305 227	361 855

DC43 Harry Gwala - Table B9 Consolidated Asset Management - 24/02/2020

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original	Prior Adjusted	Nat. or Prov.	Other Adjus.	Total Adjus.	Adjusted	Adjusted	
	Budget	7	Govt	12	13	Budget	Budget	
R thousands	A	A1	E	F	G	H		
ASSET REGISTER SUMMARY - PPE (WDV)	1 775 568	1 773 828	-	(1 654)	(1 654)	1 772 174	1 539 811	1 658 169
<i>Roads Infrastructure</i>	3 508	3 508	-	-	-	3 508	7 981	8 380
<i>Storm water Infrastructure</i>								
<i>Electrical Infrastructure</i>	14 059	14 059	-	-	-	14 059	21 231	22 293
<i>Water Supply Infrastructure</i>	1 523 380	1 523 380	-	18 192	18 192	1 541 572	1 168 696	1 343 756
<i>Sanitation Infrastructure</i>	189 982	189 982	-	(19 695)	(19 695)	170 286	228 801	164 974
<i>Information and Communication Infrastructure</i>	340	340	-	-	-	340	1 116	1 172
Infrastructure	1 731 269	1 731 269	-	(1 504)	(1 504)	1 729 765	1 427 826	1 540 575
Community Assets	26 910	26 910	-	(25)	(25)	26 885	73 843	77 535
Other Assets	318	318	-	(211)	(211)	107	-	-
Biological or Cultivated Assets								
Intangible Assets	1 316	1 316	-	(100)	(100)	1 216	850	892
Computer Equipment	2 210	2 210	-	-	-	2 210	1 363	1 431
Furniture and Office Equipment	3 618	2 378	-	675	675	3 053	5 286	5 557
Machinery and Equipment	648	648	-	(289)	(289)	359	5 873	6 168
Transport Assets	9 280	8 780	-	(200)	(200)	8 580	24 771	26 011
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 775 568	1 773 828	-	(1 654)	(1 654)	1 772 174	1 539 811	1 658 169
EXPENDITURE OTHER ITEMS								
<u>Depreciation & asset impairment</u>	38 192	79 590	-	704	704	80 294	89 560	101 361
<u>Repairs and Maintenance by asset class</u>	22 346	26 834	-	(5 713)	(5 713)	29 812	24 362	20 523
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	11 546	24 140	-	(6 328)	(6 328)	17 813	22 138	18 178
Infrastructure	11 546	24 140	-	(6 328)	(6 328)	17 813	22 138	18 178
Community Facilities	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	110	110	-	36	36	146	116	122
Community Assets	110	110	-	36	36	146	116	122
Investment properties	-	-	-	-	-	-	-	-
Operational Buildings	1 500	2 084	-	89	89	2 173	1 581	1 666
Housing	-	-	-	-	-	-	-	-
Other Assets	1 500	2 084	-	89	89	2 173	1 581	1 666
Intangible Assets	-	-	-	-	-	-	-	-
Computer Equipment	190	-	-	-	-	190	-	-
Machinery and Equipment	8 500	-	-	690	690	9 190	-	-
Transport Assets	500	500	-	(200)	(200)	300	527	555
Land	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	60 539	106 424	-	(5 009)	(5 009)	110 106	113 923	121 883
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	64,5%	64,7%				57,1%	69,3%	48,1%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>	477,1%	228,3%				198,6%	236,3%	171,6%
<i>R&M as a % of PPE</i>	1,3%	1,5%				1,7%	1,6%	1,2%
<i>Renewal and upgrading and R&M as a % of PPE</i>	11,5%	11,8%				10,7%	15,3%	11,7%

TABLE B10 BASIC SERVICE DELIVERY MEASUREMENT

DC43 Harry Gwala - Table B10 Consolidated Basic service delivery measurement - 24/02/2020

Description	Budget Year 2019/20						Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	7 A1	11 E	12 F	13 G	14 H		
Household service targets								
Water:								
Piped water inside dwelling	48 641	48 641			-	48 641	48 418	52 292
Piped water inside yard (but not in dwelling)	19 885	19 885			-	19 885	19 686	21 261
Using public tap (at least min.service level)	30 026	30 026			-	30 026	34 529	37 292
Other water supply (at least min.service level)					-	-		
<i>Minimum Service Level and Above sub-total</i>	98 552	98 552	-	-	-	98 552	102 633	110 845
Using public tap (< min.service level)	-	-			-	-	-	-
Other water supply (< min.service level)	30 152	30 152			-	30 152	28 645	30 936
No water supply	-	-			-	-	-	-
<i>Below Minimum Service Level sub-total</i>	30 152	30 152	-	-	-	30 152	28 645	30 936
Total number of households	128 704	128 704	-	-	-	128 704	131 278	141 781
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	70 615	70 615			-	70 615	75 601	81 649
Flush toilet (with septic tank)	12 312	12 312			-	12 312	12 188	13 164
Chemical toilet	-	-			-	-	-	-
Pit toilet (ventilated)	45 779	45 779			-	45 779	43 490	46 969
Other toilet provisions (> min.service level)	-	-			-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	128 706	128 706	-	-	-	128 706	131 279	141 782
Bucket toilet					-	-		
Other toilet provisions (< min.service level)					-	-		
No toilet provisions					-	-		
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-
Total number of households	128 706	128 706	-	-	-	128 706	131 279	141 782
Cost of Free Basic Services provided (R'000)								
Water (6 kilolitres per indigent household per month)	6 189	6 189	-	-	-	6 189	6 561	6 954
Sanitation (free sanitation service to indigent households)	-	-	-	-	-	-	-	-
Total cost of FBS provided	6 189	6 189	-	-	-	6 189	6 561	6 954
Total revenue cost of subsidised services provided	-	-	-	-	-	-	-	-

PART 2 – SUPPORTING DOCUMENTATION

2.1 Adjustments to Budget Assumptions

There have not been major shifts in the budget assumptions. However, the few points noted below are worth noting.

External factors: The economic slowdown as shown by the further declines in economic growth figures, the rising cost of living due to increases in the cost of borrowing and the high unemployment levels, financial resources are limited due to reduced payment levels by consumers. The latest figures released by the Census also show a decline in district population due to migration. This has resulted in declining cash inflows, which has necessitated major budgeted expenditure cuts to ensure that cash outflows remain within the affordability parameters of the district's finances.

Collection rate for revenue services: A collection rate of 71 per cent of billed services looking at the performance of the past three months.

2.2 Adjustments to Budget funding

Cash flow constraints still continue to affect the financial sustainability of the municipality as the municipality is largely grant dependent. This high grant dependency ratio (of over 90%) means that the municipality's operations are highly sensitive to non-payment by consumers. The increasing water & sanitation infrastructural assets also tend to burden the operations budget in the form of high operations and maintenance costs.

As stated in the budget assumptions above, the adjustment to revenue collection estimated at a conservative 71 per cent.

Except for the existing ABSA loan, the Municipality has not planned to fund any of its infrastructural developments with debt instruments.

Table SB 7 below provides details of the Government Grants and Subsidies differentiated between National & Provincial Governments.

DC43 Harry Gwala - Supporting Table SB7 Consolidated Adjustments Budget - transfers and grant receipts - 21/02/2020

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original	Prior	Nat. or Prov.	Other	Total	Adjusted	+1 2020/21	+2 2021/22
	Budget	Adjusted	Govt	Adjusts.	Adjusts.	Budget	Adjusted	Adjusted
R thousands	A	A1	C	D	E	F		
RECEIPTS:								
<u>Operating Transfers and Grants</u>								
National Government:	359 004	359 004	7 000	16 505	23 505	382 508	381 076	411 995
Local Government Equitable Share								
Equitable Share	345 309	345 309	-	-	-	345 309	372 265	402 358
Expanded Public Works Programme Integrated Grant	5 316	5 316	-	-	-	5 316	-	-
Integrated National Electrification Programme Grant			7 000		7 000	7 000	-	-
Local Government Financial Management Grant	1 000	1 000	-	-	-	1 000	1 000	1 264
Municipal Infrastructure Grant	5 022	5 022	-	6 500	6 500	11 522	5 317	5 742
Rural Road Asset Management Systems Grant	2 357	2 357	-	1	1	2 358	2 494	2 631
Water Services Infrastructure Grant	-	-	-	10 004	10 004	10 004	-	-
					-	-		
Other grant providers:	400	400	-	(400)	(400)	-	-	-
EDTEA	400	400	-	(400)	(400)	-	-	-
Total Operating Transfers and Grants	359 404	359 404	7 000	16 105	23 105	382 508	381 076	411 995
<u>Capital Transfers and Grants</u>								
National Government:	275 839	275 839	-	(16 504)	(16 504)	259 335	302 870	358 946
Equitable Share	-	-	-	-	-	-	-	-
Integrated National Electrification Programme Grant	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	195 839	195 839	-	(6 500)	(6 500)	189 339	207 364	223 946
Municipal Water Infrastructure Grant	-	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant	-	-	-	-	-	-	-	-
Regional Bulk Infrastructure Grant	20 000	20 000	-	-	-	20 000	25 506	60 000
Rural Road Asset Management Systems Grant	-	-	-	-	-	-	-	-
Water Services Infrastructure Grant	60 000	60 000	-	(10 004)	(10 004)	49 996	70 000	75 000
					-	-		
Provincial Government:	-	-	15 000	-	15 000	15 000	-	-
COGTA Grant	-	-	15 000	-	15 000	15 000	-	-
Total Capital Transfers and Grants	275 839	275 839	15 000	(16 504)	(1 504)	274 335	302 870	358 946
TOTAL RECEIPTS OF TRANSFERS & GRANTS	635 242	635 242	22 000	(399)	21 601	656 843	683 946	770 941

The total adjusted **Operational Government** grant allocations are as follows;

- National Government R 382, 5million

While the adjusted **Capital Funding** are as follows;

- National Government R 274, 3million

2.3 Adjustments to Expenditure on Allocations and Grant Programmes

2.3.1 A total amount of R22million allocation on grants received in the current financial year has been reduced which is made up of the following grant allocation:

- Energy Efficiency And Demand Management Grant R 7 000 000
- COGTA Grant R 15 000 000


2.3.2 Harry Gwala Development Agency paid back an amount of R8, 4m to the Department of Higher Education and Training.

2.4 Municipal Manager's Quality Certificates

I, **Adelaide Nomnandi Dlamini**, Municipal Manager of **Harry Gwala District 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 that Act, and that the adjustments budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print name: A. N. Dlamini

Municipal Manager of Harry Gwala District Municipality (DC43)

Signature:  _____
AD

Date 25 February 2020