



# 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 issue of unfunded budget as per National Treasury Letter ref KZ/04. The revised budget must be re-adopted at Special Adjustments Budget meeting of Council. The budget proposed over the 2019/20 MTREF period must also reflect gradual improvements to cash surpluses to prioritise any arrear payments to service providers. This special adjustment is drafted in terms of section 28 of the MFMA and seeks to adhere to the stipulations of section 28(2) 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 however the budget is still unfunded for the 2019/20 and 2020/21 financial years. This is due to the municipality making a realistic budget. 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 14million 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. The original budget for depreciation was not realistic, initially it was budgeted R38million and increased to R 79million it has seen the increase of R41million.

In preparing the adjustment budget priority had to be given to Water Services Department by making budget available for the next ten months even though the municipality will prepare the legislated adjustment budget in February 2020, this is largely due to prioritization of repairs and maintenance of the aging water and sanitation infrastructure that is now degenerating putting more strain on the cash flow of the municipality.

## 2. Resolutions

It is recommended that the Harry Gwala District Municipal Council;

2.1 Approves the 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.

## 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 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 decreased by R28, 3m (6%) from R752, 2m to R723, 9m. This downward adjustment is mainly due to following major contributing factors;

- |  |          |
|--|----------|
| • Service charges - water revenue      | R 14, 9m |
| • Service charges - sanitation revenue | R 6, 3m  |
| • Energy Efficiency Management Grant   | R 7m     |

The Adjusted operations budget is R531, 2m having increased by R61, 6million from the original budget of R469, 5million. The item below had the major movements

- Increase of R9, 5m for Security
- An increase on Rental of municipal vehicles by R5m
- An increase of R 9, 6m on other expenditure

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 above 34% 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 R282, 6million to R281million. This is mainly attributable to the downward adjustment of the following grants;

- ✓ Internally Generated funds                      R1, 6m

## **CONSOLIDATED REVENUE**

The Consolidated Adjusted revenue has decreased by R28, 3m (6%) from R752, 2m to R723, 9m. This downward adjustment is mainly due to following major contributing factors;

- Service charges - water revenue : Decreased by R14, 9m from R62, 6m to R47, 7million. A decrease is in line with the actual revenue that is expected to be billed for the 2019/20 financial year taking into account the performance for the first quarter.
- Service charges - sanitation revenue: Decrease by R6, 3m from R25, 7m to R19, 3million. A decrease is in line with the actual revenue that is expected



to be billed for the 2019/20 financial year taking into account the performance for the first quarter.

- Operating Transfers and Grants: Grant from National Treasury has been decreased this is as a result of Energy Efficiency and demand side Management Grant that was not gazette on the final DORA. This was communicated verbally.
- Other Revenue: Other revenue include Tender documents and Clearance certificates. There is no adjustment in other revenue. For the first quarter of 2019/20 financial year were misallocations for the sale of tender documents hence there was no movement. The misallocation will be corrected in November 2019.
- Interest Earned on External Investment: There is no adjustment made for Interest earned as the expenditure for the previous financial year was at R9, 6million and we intend to invest the unspent grants for the six months and there is Investec where the municipality is invested money in. The municipality will adjust in the second adjustment budget in February after looking at the performance for the mid-year.

## **CONSOLIDATED OPERATING EXPENDITURE**

The Adjusted operations budget is R534, 8m having increased by R55, 2million from the original budget of R469, 5million. The item below had the major movements

- Employee Related Costs: There is no adjustment under employee related costs as the municipality is the process of reducing Overtime. The municipality is planning to come up with strategy of implementing shift workers. The expenditure for the first quarter according to s71 is at R52, 4million whereas the actual expenditure for salaries is at R47, 4million. There was an error in the month of August whereby the transfer to Development Agency was incorrectly accounted for under Employee

related costs and the municipality still need to journalize the figure of R 5million to the correct vote.

- Depreciation: The increase as a result of unrealistic original budget consideration were made to align the depreciation to the one which was incurred to the prior year and the expected assets to be capitalized in the 2019/20 financial year.
- Bulk Water Purchases: The upward adjustment was necessitated because of the unrealistic original budget. More accurate requirements were determined for the amount of bulk water needed for the financial year. The original budget was R17million and the expenditure incurred in the 2018/19 financial year is at R17, 9million that is where we projected our budget and increased by CPI for the next two outer years. UGu District Municipality did not bill the municipality in the 2018/19 financial year and they only billed the municipality at the end financial year for the whole year and the 2019/20 budget also have to accommodate the expenditure for the previous financial year.
- Contracted Services: An increase on contracted services mainly due to the unrealistic original budget. Original budget was R101, 5m and have been adjusted by R15, 3m to R 116, 8m. The biggest increase is for Security which was budgeted for R17m and increased to R26m, this is informed by expenditure incurred to date and projected demand for the remaining months as the expenditure per month is at R1, 5m. Although the municipality has a plan in place to reduce the security guards in other municipal schemes but it will only have the effect in the next financial year. The other contributing factors are as follows:
  - ✓ Legal Costs: This have been adjusted upward by R3, 4m due to outstanding invoice of R1, 8m that was charged by the Service Provider that was terminated and there are also outstanding cases regarding the ghost employees that is still in the processing.
  - ✓ Rental of Vehicles also shown an increase of R5million. The original budget was R 1, 2m and adjusted upward by R5million to R6, 3million. This was under budgeted because the actual expenditure per month is R1million. The

municipality is also have the plan in place not to lease the cars instead buying using the transversal.

- ✓ Operation and Maintenance: This have been adjusted upward by R12, 9million in to fund the projected expenditure which is informed by the expenditure incurred to date and the expenditure incurred in the previous financial year. The original budget was under budgeted because of cash constraints and the threshold is 8 per cent of PPE.
- ✓ The other material budget was moved to contracted services as this is an outsourced service and the budget was moved to operations and maintenance. The Original budget was R8, 5m and the whole budget was allocated to Operations and Maintenance. It appears as R7, 5m savings on the B –Schedule, However Chemicals increased by R1m for R5, 5m to R6, 5m and Disaster Relief materials decreased by R128 636.
- Other expenditure: An Increase is also as a result of unrealistic original budget. And taking into account the expenditure incurred in the past 3 months/first quarter.
  - ✓ Municipal Electricity: This is the budget for municipal schemes and pumps and it was under budgeted referring to expenditure incurred in the 2018/19 financial year and the actual expenditure per month is at R1, 2million. This line item was adjusted upward by R2, 1million.
  - ✓ Telephones: Have been adjusted upward as the budget was not realistic. The realistic expenditure for telephones is R5, 6million a year and we spending 472 731 a month.
  - ✓ Fuel and Oil: This is informed by expenditure incurred to date and projected demand for the remaining month of the 2019/20 financial year.

## **CONSOLIDATED CAPITAL BUDGET**

The capital budget has decreased from R282, 6million to R281million. This is mainly attributable to the downward adjustment of the following grants;

- ✓ Reduced of Internally Generated Funds                      R1,6million

## 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 - 29/10/2019

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	1 A1	5 E	6 F	7 G	8 H		
<b>Financial Performance</b>								
Property rates	-	-	-	-	-	-	-	-
Service charges	88 392	88 392	-	(21 327)	(21 327)	67 065	70 687	74 504
Investment revenue	11 161	11 161	-	-	-	11 161	10 000	10 000
Transfers recognised - operational	366 404	366 404	-	(6 999)	(6 999)	359 405	381 500	412 443
Other own revenue	10 440	10 440	-	-	-	10 440	11 061	11 720
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>476 396</b>	<b>476 396</b>	<b>-</b>	<b>(28 326)</b>	<b>(28 326)</b>	<b>448 071</b>	<b>473 248</b>	<b>508 667</b>
Employee costs	205 726	205 726	-	-	-	205 726	219 098	233 339
Remuneration of councillors	7 574	7 574	-	-	-	7 574	7 983	8 414
Depreciation & asset impairment	38 192	38 192	-	41 398	41 398	79 590	89 560	101 361
Finance charges	3 522	3 522	-	-	-	3 522	3 712	3 913
Materials and bulk purchases	30 443	30 443	-	(4 795)	(4 795)	25 648	26 094	27 504
Other expenditure	184 141	184 141	-	18 672	18 672	202 814	179 447	174 905
<b>Total Expenditure</b>	<b>469 599</b>	<b>469 599</b>	<b>-</b>	<b>55 275</b>	<b>55 275</b>	<b>524 874</b>	<b>525 894</b>	<b>549 435</b>
<b>Surplus/(Deficit)</b>	<b>6 798</b>	<b>6 798</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>(76 803)</b>	<b>(52 646)</b>	<b>(40 769)</b>
Transfers recognised - capital	275 839	275 839	-	-	-	275 839	302 870	358 946
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>
<b>Capital expenditure &amp; funds sources</b>								
<b>Capital expenditure</b>	<b>282 624</b>	<b>282 624</b>	<b>-</b>	<b>(1 740)</b>	<b>(1 740)</b>	<b>280 884</b>	<b>305 227</b>	<b>361 855</b>
Transfers recognised - capital	275 839	275 839	-	-	-	275 839	302 870	359 371
Internally generated funds	6 646	6 646	-	(1 600)	(1 600)	5 046	2 357	2 484
<b>Total sources of capital funds</b>	<b>282 484</b>	<b>282 484</b>	<b>-</b>	<b>(1 600)</b>	<b>(1 600)</b>	<b>280 884</b>	<b>305 227</b>	<b>361 855</b>
<b>Financial position</b>								
Total current assets	195 685	195 685	-	(160 246)	(160 246)	35 440	59 015	106 821
Total non current assets	2 165 144	2 165 144	-	230 450	230 450	2 395 594	2 615 334	2 880 777
Total current liabilities	237 584	237 584	(43 000)	(105 405)	(148 405)	89 179	96 214	97 304
Total non current liabilities	22 949	22 949	-	9 333	9 333	32 282	20 620	22 532
<b>Community wealth/Equity</b>	<b>2 100 296</b>	<b>2 100 296</b>	<b>43 000</b>	<b>166 277</b>	<b>209 277</b>	<b>2 309 573</b>	<b>2 557 515</b>	<b>2 867 763</b>

**Table B1 Cont.....**

**DC43 Harry Gwala - Table B1 Consolidated Adjustments Budget Summary - 29/10/2019**

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		
<b>Cash flows</b>								
Net cash from (used) operating	294 323	294 323	(50 000)	(33 590)	(83 590)	210 733	336 827	417 402
Net cash from (used) investing	(282 624)	(282 624)	-	1 740	1 740	(280 884)	(305 227)	(361 855)
Net cash from (used) financing	(3 896)	(3 896)	-	(8 632)	(8 632)	(12 528)	(12 528)	(12 528)
<b>Cash/cash equivalents at the year end</b>	<b>120 138</b>	<b>120 138</b>	<b>(50 000)</b>	<b>(81 224)</b>	<b>(131 224)</b>	<b>(11 086)</b>	<b>7 986</b>	<b>51 006</b>
<b>Cash backing/surplus reconciliation</b>								
Cash and investments available	120 138	120 138	-	(131 224)	(131 224)	(11 086)	7 986	51 006
Application of cash and investments	161 091	161 091	(43 000)	(60 980)	(103 980)	57 112	53 916	50 490
<b>Balance - surplus (shortfall)</b>	<b>(40 953)</b>	<b>(40 953)</b>	<b>43 000</b>	<b>(70 245)</b>	<b>(27 245)</b>	<b>(68 198)</b>	<b>(45 930)</b>	<b>516</b>
<b>Asset Management</b>								
Asset register summary (WDV)	1 775 568	1 775 568	-	618 495	618 495	2 394 063	2 614 378	2 879 773
Depreciation & asset impairment	38 192	38 192	-	41 398	41 398	79 590	89 560	101 361
Renewal and Upgrading of Existing Assets	182 209	182 209	-	(87 015)	(87 015)	95 194	111 906	118 042
Repairs and Maintenance	22 346	22 346	-	4 488	4 488	26 834	14 394	15 171
<b>Free services</b>								
Cost of Free Basic Services provided	6 189	6 189	-	-	-	6 189	6 561	6 954
Revenue cost of free services provided	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>								
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.

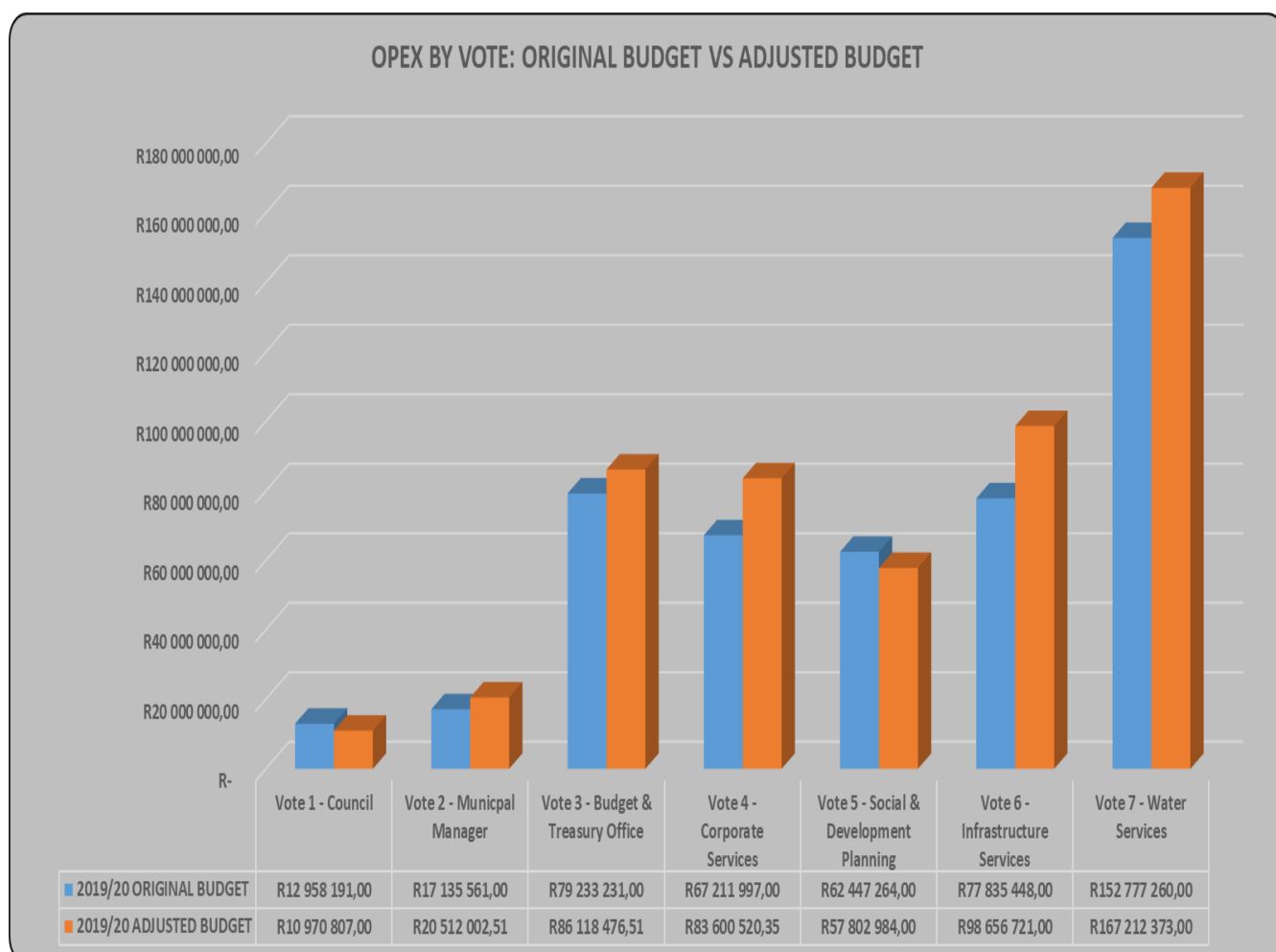
DC43 Harry Gwala - Table B2 Consolidated Adjustments Budget Financial Performance (functional classification) - 29/10/2019

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	A1	E	F	G	H		
<b>Revenue - Functional</b>								
<b>Governance and administration</b>	368 310	368 310	-	-	-	368 310	371 120	399 654
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	368 310	368 310	-	-	-	368 310	371 120	399 654
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	383 925	383 925	-	(28 326)	(28 326)	355 599	404 998	467 959
Energy sources	7 000	7 000	-	(7 000)	(7 000)	-	-	-
Water management	351 168	351 168	-	(14 928)	(14 928)	336 240	377 512	438 628
Waste water management	25 757	25 757	-	(6 398)	(6 398)	19 359	27 485	29 330
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>752 235</b>	<b>752 235</b>	<b>-</b>	<b>(28 326)</b>	<b>(28 326)</b>	<b>723 909</b>	<b>776 118</b>	<b>867 612</b>
<b>Expenditure - Functional</b>								
<b>Governance and administration</b>	227 394	227 394	-	39 309	39 309	266 703	239 639	255 008
Executive and council	35 385	35 385	-	(839)	(839)	34 546	36 184	37 911
Finance and administration	187 697	187 697	-	40 142	40 142	227 840	199 103	212 703
Internal audit	4 312	4 312	-	5	5	4 317	4 352	4 395
<b>Community and public safety</b>	11 180	11 180	-	(300)	(300)	10 880	12 023	12 930
Community and social services	11 180	11 180	-	(300)	(300)	10 880	12 023	12 930
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	116 309	116 309	-	10 098	10 098	126 407	121 988	135 534
Planning and development	116 309	116 309	-	10 098	10 098	126 407	121 988	135 534
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	114 236	114 236	-	6 169	6 169	120 404	151 736	145 425
Energy sources	-	-	-	-	-	-	-	-
Water management	113 919	113 919	-	6 165	6 165	120 083	151 394	145 056
Waste water management	317	317	-	4	4	321	342	369
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	480	480	-	-	-	480	509	538
<b>Total Expenditure - Functional</b>	<b>469 599</b>	<b>469 599</b>	<b>-</b>	<b>55 275</b>	<b>55 275</b>	<b>524 874</b>	<b>525 894</b>	<b>549 435</b>
<b>Surplus/ (Deficit) for the year</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>

The revenue of the municipality has increased by 6% from R752million originally approved budget to R723, 9million. The water management has seen the biggest decrease in revenue due to the decrease in service charges water and sanitation of R21, 3million.

Operational expenditure has increased by 13% to R531, 2million. 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 from the 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 above 34% due to the nature of the operations of the municipality and water services 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 water services budget increase, the reason for the increase is the depreciation of R 41, 3million.

### TABLE B3 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

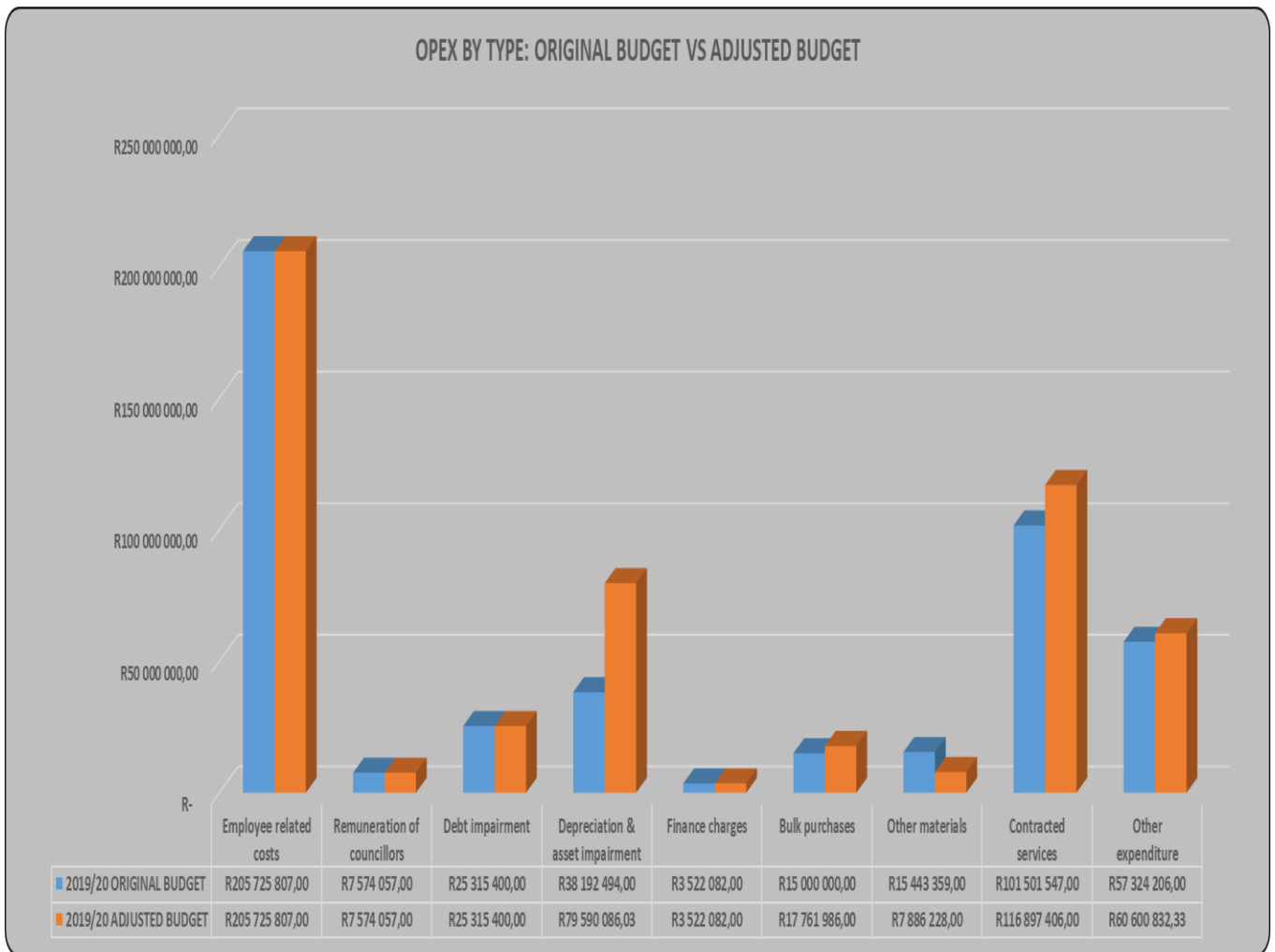
Table B3 presents the same information as the table above, the difference being that it's by Municipal vote.

DC43 Harry Gwala - Table B3 Consolidated Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - 29/10/2019

Vote Description  <i>[Insert departmental structure etc]</i>	Budget Year 2019/20						Budget Year +1	Budget Year
	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		
<b>Revenue by Vote</b>								
Vote 01 - Summary Council	-	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	368 310	368 310	-	-	-	368 310	371 120	399 654
Vote 04 - Summary Corporate Services	-	-	-	-	-	-	-	-
Vote 05 - Summary Social Services & Development Planning	-	-	-	-	-	-	-	-
Vote 06 - Summary Infrastructure Services	295 533	295 533	-	(6 999)	(6 999)	288 534	310 681	367 319
Vote 07 - Summary Water Services	88 392	88 392	-	(21 327)	(21 327)	67 065	94 317	100 640
<b>Total Revenue by Vote</b>	<b>752 235</b>	<b>752 235</b>	<b>-</b>	<b>(28 326)</b>	<b>(28 326)</b>	<b>723 909</b>	<b>776 118</b>	<b>867 612</b>
<b>Expenditure by Vote</b>								
Vote 01 - Summary Council	12 958	12 958	-	(1 987)	(1 987)	10 971	13 644	14 594
Vote 02 - Summary Municipal Manager	17 136	17 136	-	3 376	3 376	20 512	16 713	16 956
Vote 03 - Summary Budget And Treasury Office	79 233	79 233	-	6 885	6 885	86 118	83 971	89 912
Vote 04 - Summary Corporate Services	67 212	67 212	-	16 389	16 389	83 601	73 722	73 369
Vote 05 - Summary Social Services & Development Planning	62 447	62 447	-	(4 644)	(4 644)	57 803	66 239	70 688
Vote 06 - Summary Infrastructure Services	77 835	77 835	-	20 821	20 821	98 657	98 943	107 645
Vote 07 - Summary Water Services	152 777	152 777	-	14 435	14 435	167 212	172 662	176 272
<b>Total Expenditure by Vote</b>	<b>469 599</b>	<b>469 599</b>	<b>-</b>	<b>55 275</b>	<b>55 275</b>	<b>524 874</b>	<b>525 894</b>	<b>549 435</b>
<b>Surplus/ (Deficit) for the year</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>



**Chart 2: Adjustment budget financial performance**



The graph above presents the adjustment budget expenditure by type.

The expenditure on Bulk Waste Water has been increased because the original budget is not enough for the next ten months and we had to adjust the budget upward. The budget for Bulk waste water had to increase to R2, 7million.

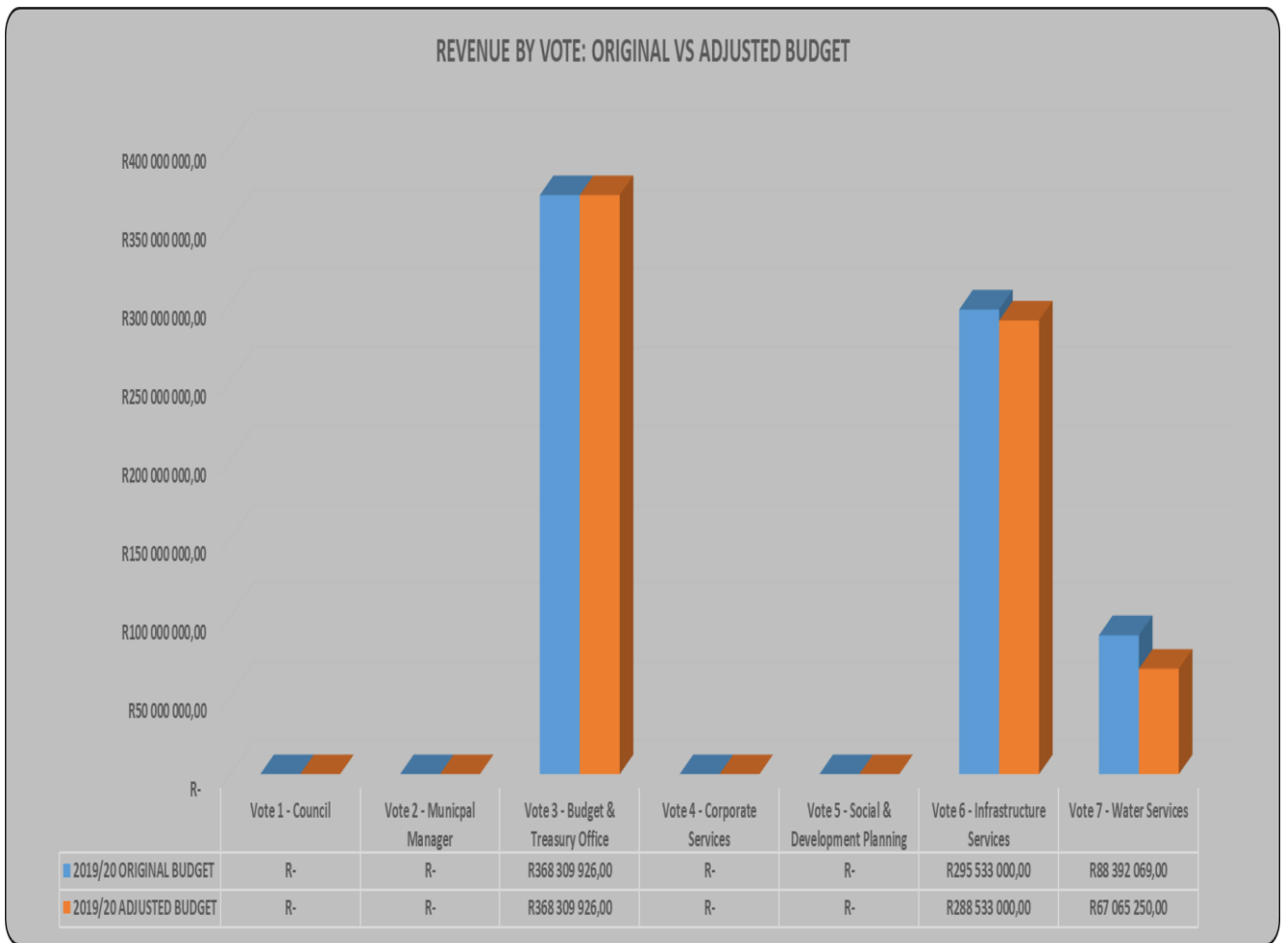
## TABLE B4 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

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) - 29/10/2019

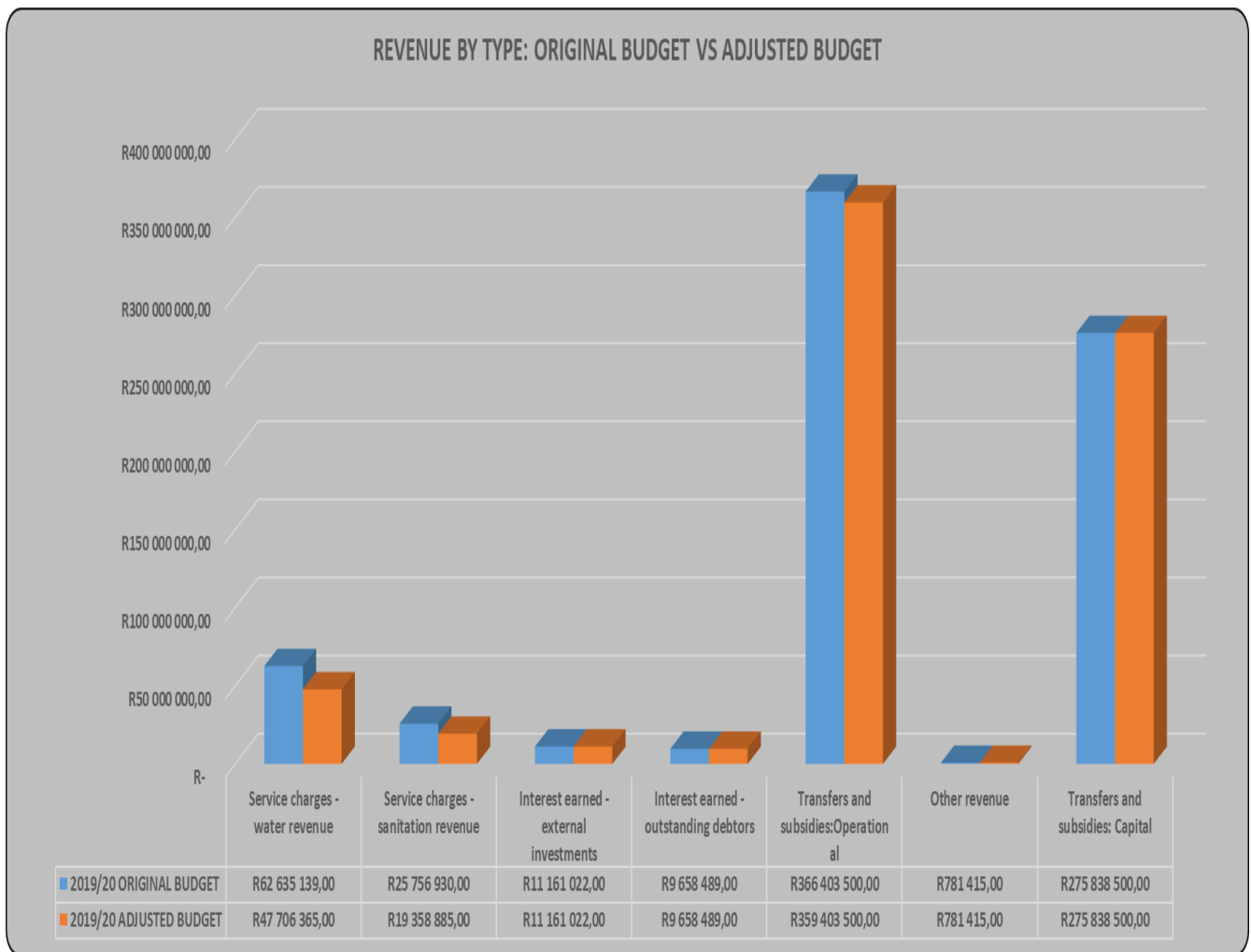
Description	Budget Year 2019/20						Budget Year	Budget Year
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2020/21	+2 2021/22
R thousands	A	A1	E	F	G	H		
<b>Revenue By Source</b>								
Property rates	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	62 635	62 635	-	(14 929)	(14 929)	47 706	49 481	52 153
Service charges - sanitation revenue	25 757	25 757	-	(6 398)	(6 398)	19 359	21 206	22 351
Service charges - refuse revenue	-	-	-	-	-	-	-	-
Interest earned - external investments	11 161	11 161	-	-	-	11 161	10 000	10 000
Interest earned - outstanding debtors	9 658	9 658	-	-	-	9 658	10 238	10 852
Transfers and subsidies	366 404	366 404	-	(6 999)	(6 999)	359 405	381 500	412 443
Other revenue	781	781	-	-	-	781	823	867
Gains on disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>476 396</b>	<b>476 396</b>	<b>-</b>	<b>(28 326)</b>	<b>(28 326)</b>	<b>448 071</b>	<b>473 248</b>	<b>508 667</b>
<b>Expenditure By Type</b>								
Employee related costs	205 726	205 726	-	-	-	205 726	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	38 192	-	41 398	41 398	79 590	89 560	101 361
Finance charges	3 522	3 522	-	-	-	3 522	3 712	3 913
Bulk purchases	15 000	15 000	-	2 762	2 762	17 762	18 721	19 732
Other materials	15 443	15 443	-	(7 557)	(7 557)	7 886	7 373	7 772
Contracted services	101 502	101 502	-	15 396	15 396	116 897	114 897	105 797
Other expenditure	57 324	57 324	-	3 277	3 277	60 601	37 513	40 232
Loss on disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>469 599</b>	<b>469 599</b>	<b>-</b>	<b>55 275</b>	<b>55 275</b>	<b>524 874</b>	<b>525 894</b>	<b>549 435</b>
<b>Surplus/(Deficit)</b>	<b>6 798</b>	<b>6 798</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>(76 803)</b>	<b>(52 646)</b>	<b>(40 769)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	275 839	275 839	-	-	-	275 839	302 870	358 946
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) before taxation</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>
Attributable to minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>282 636</b>	<b>282 636</b>	<b>-</b>	<b>(83 601)</b>	<b>(83 601)</b>	<b>199 035</b>	<b>250 224</b>	<b>318 177</b>

**Chart 3: Revenue by Vote**



The above graph presents the adjustment budget by source

**Chart 4: Revenue by Source**



There is a downward adjustment for water and sanitation charges revenue.

Other Revenue: There is not adjustment in the other revenue.

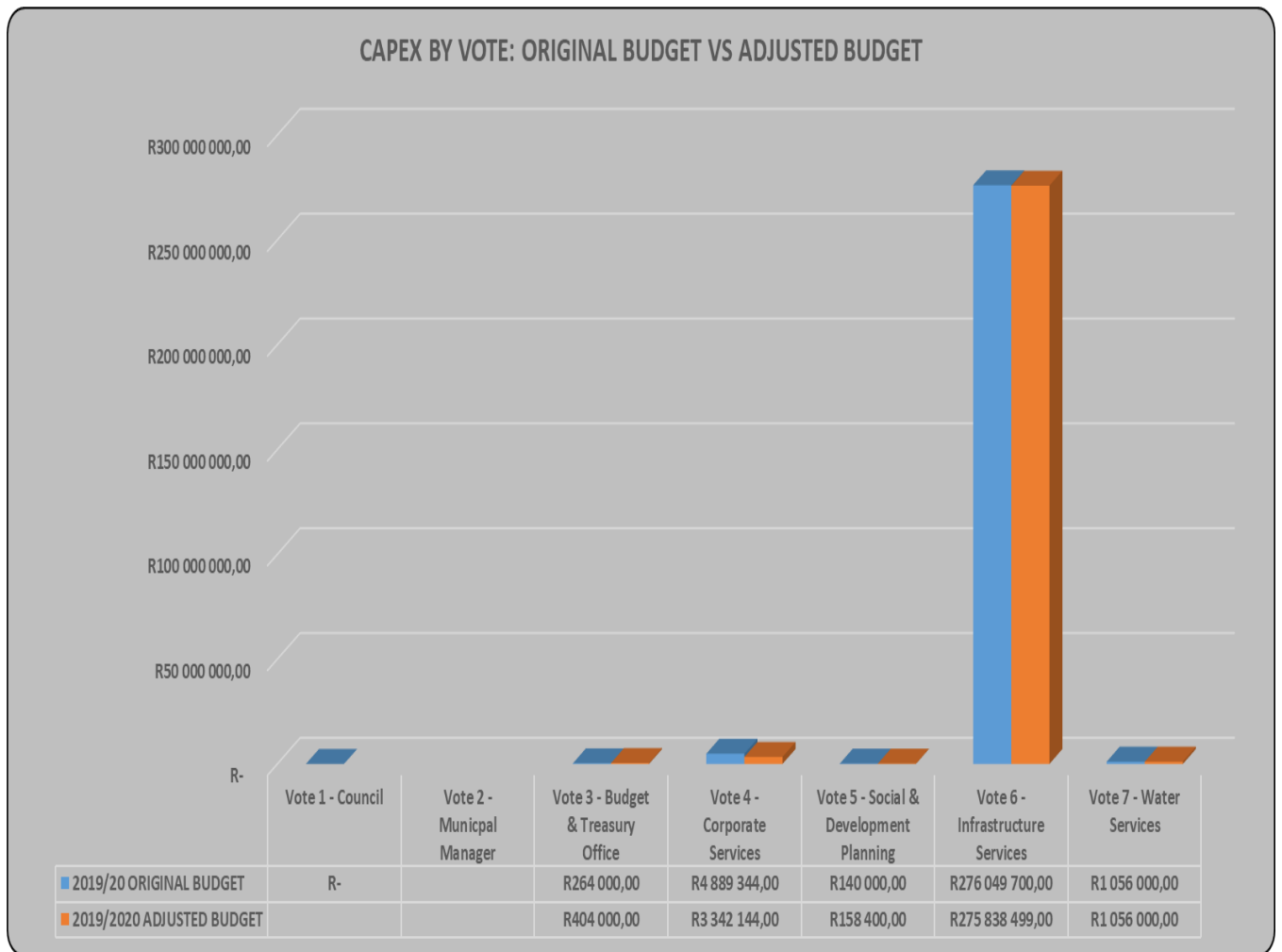
**TABLE B5 ADJUSTMENT CAPITAL EXPENDITURE BUDGET BY VOTE AND FUNDING**

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 - 29/10/2019

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		
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure to be adjusted</b>								
Vote 01 - Summary Council	-	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	-	-	-	-	-	-	-	-
Vote 04 - Summary Corporate Services	-	-	-	-	-	-	-	-
Vote 05 - Summary Social Services & Development Planing	-	-	-	-	-	-	-	-
Vote 06 - Summary Infrastructure Services	20 000	20 000	-	-	-	20 000	25 506	60 000
Vote 07 - Summary Water Services	145 243	145 243	-	-	-	145 243	217 343	148 804
<b>Capital multi-year expenditure sub-total</b>	<b>165 243</b>	<b>165 243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165 243</b>	<b>242 849</b>	<b>208 804</b>
<b>Single-year expenditure to be adjusted</b>								
Vote 01 - Summary Council	-	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	629	629	-	-	-	629	239	252
Vote 04 - Summary Corporate Services	4 942	4 942	-	(1 740)	(1 740)	3 202	838	883
Vote 05 - Summary Social Services & Development Planing	158	158	-	-	-	158	167	176
Vote 06 - Summary Infrastructure Services	-	-	-	-	-	-	-	-
Vote 07 - Summary Water Services	111 651	111 651	-	-	-	111 651	61 134	151 740
<b>Capital single-year expenditure sub-total</b>	<b>117 381</b>	<b>117 381</b>	<b>-</b>	<b>(1 740)</b>	<b>(1 740)</b>	<b>115 641</b>	<b>62 378</b>	<b>153 051</b>
<b>Total Capital Expenditure - Vote</b>	<b>282 624</b>	<b>282 624</b>	<b>-</b>	<b>(1 740)</b>	<b>(1 740)</b>	<b>280 884</b>	<b>305 227</b>	<b>361 855</b>
<b>Capital Expenditure - Functional</b>								
<b>Governance and administration</b>	<b>5 571</b>	<b>5 571</b>	<b>-</b>	<b>(1 740)</b>	<b>(1 740)</b>	<b>3 831</b>	<b>1 077</b>	<b>1 135</b>
Executive and council								
Finance and administration	5 571	5 571	-	(1 740)	(1 740)	3 831	1 077	1 135
Internal audit								
<b>Economic and environmental services</b>	<b>158</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158</b>	<b>167</b>	<b>176</b>
Planning and development	158	158	-	-	-	158	167	176
<b>Trading services</b>	<b>276 894</b>	<b>276 894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276 894</b>	<b>303 983</b>	<b>360 544</b>
Energy sources								
Water management	213 071	213 071	-	-	-	213 071	193 782	319 913
Waste water management	63 824	63 824	-	-	-	63 824	110 201	40 631
<b>Total Capital Expenditure - Functional</b>	<b>282 624</b>	<b>282 624</b>	<b>-</b>	<b>(1 740)</b>	<b>(1 740)</b>	<b>280 884</b>	<b>305 227</b>	<b>361 855</b>
<b>Funded by:</b>								
National Government	275 839	275 839	-	-	-	275 839	302 870	359 371
Transfers recognised - capital	275 839	275 839	-	-	-	275 839	302 870	359 371
Internally generated funds	6 646	6 646	-	(1 600)	(1 600)	5 046	2 357	2 484
<b>Total Capital Funding</b>	<b>282 484</b>	<b>282 484</b>	<b>-</b>	<b>(1 600)</b>	<b>(1 600)</b>	<b>280 884</b>	<b>305 227</b>	<b>361 855</b>

**Chart 6: Capital Expenditure by Type**



The originally approved capital budget was R 282, 6million and adjusted budget is R 280, 8million. 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 - 29/10/2019

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		
<b>ASSETS</b>								
<b>Current assets</b>								
Cash	83 051	83 051	-	(94 137)	(94 137)	(11 086)	7 986	51 006
Call investment deposits	37 087	37 087	-	(37 087)	(37 087)	-	-	-
Consumer debtors	42 739	42 739	-	(14 449)	(14 449)	28 290	32 813	37 589
Other debtors	32 638	32 638	-	(14 649)	(14 649)	17 989	17 989	17 989
Current portion of long-term receivables	-	-	-	-	-	-	-	-
Inventry	171	171	-	77	77	248	227	238
<b>Total current assets</b>	<b>195 685</b>	<b>195 685</b>	<b>-</b>	<b>(160 246)</b>	<b>(160 246)</b>	<b>35 440</b>	<b>59 015</b>	<b>106 821</b>
<b>Non current assets</b>								
Investment in Associate						-	-	
Property, plant and equipment	2 163 828	2 163 828	-	230 235	230 235	2 394 063	2 614 378	2 879 773
Intangible	1 316	1 316	-	215	215	1 531	956	1 004
Other non-current assets	0	0	-	-	-	0	-	-
<b>Total non current assets</b>	<b>2 165 144</b>	<b>2 165 144</b>	<b>-</b>	<b>230 450</b>	<b>230 450</b>	<b>2 395 594</b>	<b>2 615 334</b>	<b>2 880 777</b>
<b>TOTAL ASSETS</b>	<b>2 360 829</b>	<b>2 360 829</b>	<b>-</b>	<b>70 204</b>	<b>70 204</b>	<b>2 431 033</b>	<b>2 674 349</b>	<b>2 987 599</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Borrowing	4 555	4 555	-	8 123	8 123	12 678	-	-
Consumer deposits	1 740	1 740	-	28	28	1 768	1 816	1 907
Trade and other payables	221 715	221 715	(43 000)	(104 300)	(147 300)	74 414	74 414	74 414
Provisions	9 574	9 574	-	(9 255)	(9 255)	319	19 984	20 983
<b>Total current liabilities</b>	<b>237 584</b>	<b>237 584</b>	<b>(43 000)</b>	<b>(105 405)</b>	<b>(148 405)</b>	<b>89 179</b>	<b>96 214</b>	<b>97 304</b>
<b>Non current liabilities</b>								
Borrowing	-	-	-	13 660	13 660	13 660	-	-
Provisions	22 949	22 949	-	(4 328)	(4 328)	18 621	20 620	22 532
<b>Total non current liabilities</b>	<b>22 949</b>	<b>22 949</b>	<b>-</b>	<b>9 333</b>	<b>9 333</b>	<b>32 282</b>	<b>20 620</b>	<b>22 532</b>
<b>TOTAL LIABILITIES</b>	<b>260 533</b>	<b>260 533</b>	<b>(43 000)</b>	<b>(96 072)</b>	<b>(139 072)</b>	<b>121 461</b>	<b>116 834</b>	<b>119 836</b>
<b>NET ASSETS</b>	<b>2 100 296</b>	<b>2 100 296</b>	<b>43 000</b>	<b>166 277</b>	<b>209 277</b>	<b>2 309 573</b>	<b>2 557 515</b>	<b>2 867 763</b>
<b>COMMUNITY WEALTH/EQUITY</b>								
Accumulated Surplus/(Deficit)	2 100 296	2 100 296	43 000	166 277	209 277	2 309 573	2 557 515	2 867 763
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>2 100 296</b>	<b>2 100 296</b>	<b>43 000</b>	<b>166 277</b>	<b>209 277</b>	<b>2 309 573</b>	<b>2 557 515</b>	<b>2 867 763</b>

## TABLE B7 ADJUSTMENTS BUDGET CASH FLOWS

DC43 Harry Gwala - Table B7 Consolidated Adjustments Budget Cash Flows - 29/10/2019

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	A1	E	F	G	H		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates						-	-	
Service charges	47 732	47 732				47 732	50 931	54 345
Other revenue	781	781				781	823	867
Government - operating	366 404	366 404	(50 000)		(50 000)	316 404	381 500	412 443
Government - capital	275 839	275 839				275 839	302 870	358 946
Interest	9 658	9 658		1 503	1 503	11 161	10 000	10 000
Dividends						-	-	
<b>Payments</b>								
Suppliers and employees	(402 569)	(402 569)	-	(35 092)	(35 092)	(437 661)	(405 585)	(415 286)
Finance charges	(3 522)	(3 522)				(3 522)	(3 712)	(3 913)
Transfers and Grants						-	-	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>294 323</b>	<b>294 323</b>	<b>(50 000)</b>	<b>(33 590)</b>	<b>(83 590)</b>	<b>210 733</b>	<b>336 827</b>	<b>417 402</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Decrease (increase) in non-current investments						-	-	
<b>Payments</b>								
Capital assets	(282 624)	(282 624)		1 740	1 740	(280 884)	(305 227)	(361 855)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(282 624)</b>	<b>(282 624)</b>	<b>-</b>	<b>1 740</b>	<b>1 740</b>	<b>(280 884)</b>	<b>(305 227)</b>	<b>(361 855)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans						-	-	
Borrowing long term/refinancing						-	-	
Increase (decrease) in consumer deposits						-	-	
<b>Payments</b>								
Repayment of borrowing	(3 896)	(3 896)		(8 632)	(8 632)	(12 528)	(12 528)	(12 528)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3 896)</b>	<b>(3 896)</b>	<b>-</b>	<b>(8 632)</b>	<b>(8 632)</b>	<b>(12 528)</b>	<b>(12 528)</b>	<b>(12 528)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>7 803</b>	<b>7 803</b>	<b>(50 000)</b>	<b>(40 481)</b>	<b>(90 481)</b>	<b>(82 679)</b>	<b>19 072</b>	<b>43 019</b>
Cash/cash equivalents at the year begin:	112 336	112 336		(40 743)	(40 743)	71 593	(11 086)	7 986
Cash/cash equivalents at the year end:	120 138	120 138	(50 000)	(81 224)	(131 224)	(11 086)	7 986	51 006

The municipality has a positive cash generated from operations during the 2019/20; 2020/21 and 2021/22 financial years. The closing balance for the 2019/20 financial year is expected to be at R 11 million overdraft however the situation is expected to improve to a positive bank balance of R 7.9 million and R 51 million in the 2020/21 and 2021/22 financial years respectively.



## TABLE B8 CASH BACKED RESERVES / ACCUMULATED SURPLUS RECONCILIATION

DC43 Harry Gwala - Table B8 Consolidated Cash backed reserves/accumulated surplus reconciliation - 29/10/2019

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	3 A1	7 E	8 F	9 G	H		
<b>Cash and investments available</b>								
Cash/cash equivalents at the year end	120 138	120 138	(50 000)	(81 224)	(131 224)	(11 086)	7 986	51 006
Other current investments > 90 days	-	-	50 000	(50 000)	-	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>120 138</b>	<b>120 138</b>	<b>-</b>	<b>(131 224)</b>	<b>(131 224)</b>	<b>(11 086)</b>	<b>7 986</b>	<b>51 006</b>
<b>Applications of cash and investments</b>								
Unspent conditional transfers	39 678	39 678	(43 000)	4 376	(38 624)	1 054	1 054	1 054
Unspent borrowing					-	-	-	-
Statutory requirements					-	-	-	-
Other working capital requirements	121 413	121 413		(77 020)	(77 020)	44 393	41 198	37 772
Other provisions				11 664	11 664	11 664	11 664	11 664
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>	<b>161 091</b>	<b>161 091</b>	<b>(43 000)</b>	<b>(60 980)</b>	<b>(103 980)</b>	<b>57 112</b>	<b>53 916</b>	<b>50 490</b>
<b>Surplus(shortfall)</b>	<b>(40 953)</b>	<b>(40 953)</b>	<b>43 000</b>	<b>(70 245)</b>	<b>(27 245)</b>	<b>(68 198)</b>	<b>(45 930)</b>	<b>516</b>

The table above shows that the municipality will still be in an unfunded position in the 2019/20 and 2020/21 financial years. The deficit is projected to amount to R r68.1 million in 2019/20 financial and improve to R45.9 million in the 2020/21 financial year. If the municipality continues to manage the strict cost containment measures it is expected that the municipality will be in a funded position by the end of the 2021/22 financial as shown in the table above with reflects a projected R516 000 surplus.

## TABLE B9 ASSET MANAGEMENT

DC43 Harry Gwala - Table B9 Consolidated Asset Management - 29/10/2019

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original	Prior	Nat. or Prov.	Other	Total Adjus.	Adjusted	+1 2020/21	+2 2021/22
	Budget	Adjusted	Govt	Adjus.		Budget	Adjusted	Adjusted
	7	11	12	13	14			
R thousands	A	A1	E	F	G	H		
<b>CAPITAL EXPENDITURE</b>								
<b><u>Total New Assets to be adjusted</u></b>	<b>100 415</b>	<b>100 415</b>	<b>-</b>	<b>170 108</b>	<b>170 108</b>	<b>270 524</b>	<b>297 876</b>	<b>352 756</b>
<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	96 344	96 344	-	119 846	119 846	216 190	233 402	299 938
<i>Sanitation Infrastructure</i>	-	-	-	51 362	51 362	51 362	60 329	48 449
<b>Infrastructure</b>	<b>96 344</b>	<b>96 344</b>	<b>-</b>	<b>171 208</b>	<b>171 208</b>	<b>267 552</b>	<b>293 731</b>	<b>348 386</b>
Community Facilities	25	25	-	-	-	25	27	28
Sport and Recreation Facilities	-	-	-	-	-	-	-	-
Community Assets	25	25	-	-	-	25	27	28
Housing	211	211	-	-	-	211	223	235
Other Assets	211	211	-	-	-	211	223	235
Licences and Rights	100	100	-	-	-	100	106	112
Intangible Assets	100	100	-	-	-	100	106	112
Computer Equipment	1 450	1 450	-	-	-	1 450	1 529	1 611
Furniture and Office Equipment	1 996	1 996	-	(1 100)	(1 100)	896	1 956	2 062
Machinery and Equipment	289	289	-	-	-	289	305	321
<b><u>Total Renewal of Existing Assets to be adjusted</u></b>	<b>97 515</b>	<b>97 515</b>	<b>-</b>	<b>(87 015)</b>	<b>(87 015)</b>	<b>10 501</b>	<b>12 000</b>	<b>14 000</b>
<i>Water Supply Infrastructure</i>	53 887	53 887	-	(48 887)	(48 887)	5 001	6 000	7 000
<i>Sanitation Infrastructure</i>	41 970	41 970	-	(36 970)	(36 970)	5 000	6 000	7 000
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>95 857</b>	<b>95 857</b>	<b>-</b>	<b>(85 857)</b>	<b>(85 857)</b>	<b>10 001</b>	<b>12 000</b>	<b>14 000</b>
Furniture and Office Equipment	-	-	-	-	-	-	-	-
Machinery and Equipment	158	158	-	(158)	(158)	-	-	-
Transport Assets	1 500	1 500	-	(1 000)	(1 000)	500	-	-
<b><u>Total Upgrading of Existing Assets to be adjusted</u></b>	<b>84 693</b>	<b>84 693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84 693</b>	<b>99 906</b>	<b>104 042</b>
<i>Water Supply Infrastructure</i>	59 640	59 640	-	-	-	59 640	31 497	68 442
<i>Sanitation Infrastructure</i>	25 053	25 053	-	-	-	25 053	68 410	35 600
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>84 693</b>	<b>84 693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84 693</b>	<b>99 906</b>	<b>104 042</b>
<b><u>Total Capital Expenditure to be adjusted</u></b>	<b>282 624</b>	<b>282 624</b>	<b>-</b>	<b>83 093</b>	<b>83 093</b>	<b>365 717</b>	<b>409 782</b>	<b>470 797</b>
<i>Roads Infrastructure</i>	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	209 872	209 872	-	70 959	70 959	280 831	270 899	375 380
<i>Sanitation Infrastructure</i>	67 023	67 023	-	14 393	14 393	81 415	134 738	91 049
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>276 894</b>	<b>276 894</b>	<b>-</b>	<b>85 352</b>	<b>85 352</b>	<b>362 246</b>	<b>405 637</b>	<b>466 428</b>
Community Facilities	25	25	-	-	-	25	27	28
Sport and Recreation Facilities	-	-	-	-	-	-	-	-
Community Assets	25	25	-	-	-	25	27	28
Housing	211	211	-	-	-	211	223	235
Other Assets	211	211	-	-	-	211	223	235
Licences and Rights	100	100	-	-	-	100	106	112
Intangible Assets	100	100	-	-	-	100	106	112
Computer Equipment	1 450	1 450	-	-	-	1 450	1 529	1 611
Furniture and Office Equipment	1 996	1 996	-	(1 100)	(1 100)	896	1 956	2 062
Machinery and Equipment	447	447	-	(158)	(158)	289	305	321
Transport Assets	1 500	1 500	-	(1 000)	(1 000)	500	-	-
Land	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE to be adjusted</b>	<b>282 624</b>	<b>282 624</b>	<b>-</b>	<b>83 093</b>	<b>83 093</b>	<b>365 717</b>	<b>409 782</b>	<b>470 797</b>

DC43 Harry Gwala - Table B9 Consolidated Asset Management - 29/10/2019

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original	Prior	Nat. or Prov.	Other	Total	Adjusted	Adjusted	
	Budget	Adjusted	Govt	Adjusts.	Adjus.	Budget	Budget	
	7	11	12	13	14	+1 2020/21	+2 2021/22	
R thousands	A	A1	E	F	G	H		
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	1 775 568	1 775 568	-	618 495	618 495	2 394 063	2 614 378	2 879 773
<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	-	620 095	620 095	2 143 475	2 239 727	2 561 633
<i>Sanitation Infrastructure</i>	189 982	189 982	-	-	-	189 982	228 801	164 974
<i>Information and Communication Infrastructure</i>	340	340	-	-	-	340	1 116	1 172
Infrastructure	1 731 269	1 731 269	-	620 095	620 095	2 351 364	2 498 857	2 758 452
Community Assets	26 910	26 910	-	-	-	26 910	73 869	77 563
Other Assets	318	318	-	-	-	318	223	235
Biological or Cultivated Assets						-		
Intangible Assets	1 316	1 316	-	-	-	1 316	956	1 004
Computer Equipment	2 210	2 210	-	-	-	2 210	2 892	3 043
Furniture and Office Equipment	3 618	3 618	-	(1 100)	(1 100)	2 518	5 450	5 730
Machinery and Equipment	648	648	-	-	-	648	6 066	6 372
Transport Assets	9 280	9 280	-	(500)	(500)	8 780	26 065	27 375
Land						-		
Zoo's, Marine and Non-biological Animals						-		
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>1 775 568</b>	<b>1 775 568</b>	<b>-</b>	<b>618 495</b>	<b>618 495</b>	<b>2 394 063</b>	<b>2 614 378</b>	<b>2 879 773</b>
<b>EXPENDITURE OTHER ITEMS</b>								
<b>Depreciation &amp; asset impairment</b>	38 192	38 192	-	41 398	41 398	79 590	89 560	101 361
<b>Repairs and Maintenance by asset class</b>	<b>22 346</b>	<b>22 346</b>	<b>-</b>	<b>4 488</b>	<b>4 488</b>	<b>26 834</b>	<b>14 394</b>	<b>15 171</b>
<i>Water Supply Infrastructure</i>	11 546	11 546	-	12 594	12 594	24 140	12 170	12 827
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-
Infrastructure	11 546	11 546	-	12 594	12 594	24 140	12 170	12 827
Community Facilities	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	110	110	-	-	-	110	116	122
Community Assets	110	110	-	-	-	110	116	122
Operational Buildings	1 500	1 500	-	584	584	2 084	1 581	1 666
Housing	-	-	-	-	-	-	-	-
Other Assets	1 500	1 500	-	584	584	2 084	1 581	1 666
Computer Equipment	190	190	-	(190)	(190)	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-
Machinery and Equipment	8 500	8 500	-	(8 500)	(8 500)	-	-	-
Transport Assets	500	500	-	-	-	500	527	555
<b>TOTAL EXPENDITURE OTHER ITEMS to be adjusted</b>	<b>60 539</b>	<b>60 539</b>	<b>-</b>	<b>45 885</b>	<b>45 885</b>	<b>106 424</b>	<b>103 954</b>	<b>116 532</b>
<i>Renewal and upgrading of Existing Assets as % of total PPE</i>	64,5%	64,5%				26,0%	27,3%	25,1%
<i>Renewal and upgrading of Existing Assets as % of depreciation</i>	477,1%	477,1%				119,6%	125,0%	116,5%
<i>R&amp;M as a % of PPE</i>	1,3%	1,3%				1,1%	0,6%	0,5%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	11,5%	11,5%				5,1%	4,8%	4,6%

## TABLE B10 BASIC SERVICE DELIVERY MEASUREMENT

DC43 Harry Gwala - Table B10 Consolidated Basic service delivery measurement - 29/10/2019

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
	A	7 A1	11 E	12 F	13 G	14 H	Adjusted Budget	Adjusted Budget
<b>Household service targets</b>								
<b>Water:</b>								
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 Servic Level sub-total</i>	30 152	30 152	-	-	-	30 152	28 645	30 936
<b>Total number of households</b>	<b>128 704</b>	<b>128 704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128 704</b>	<b>131 278</b>	<b>141 781</b>
<b>Sanitation/sewerage:</b>								
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 Servic Level sub-total</i>	-	-	-	-	-	-	-	-
<b>Total number of households</b>	<b>128 706</b>	<b>128 706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128 706</b>	<b>131 279</b>	<b>141 782</b>
<b>Cost of Free Basic Services provided (R'000)</b>								
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)	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cost of FBS provided</b>	<b>6 189</b>	<b>6 189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 189</b>	<b>6 561</b>	<b>6 954</b>
<b>Total revenue cost of subsidised services provided</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **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 - 29/10/2019**

Description	Budget Year 2019/20						Budget Year	Budget Year
	Original	Prior	Nat. or Prov.	Other	Total	Adjusted	Adjusted	
	Budget	Adjusted	Govt	Adjusts.	Adjusts.	Budget	Budget	
R thousands	A	7 A1	9 C	10 D	11 E	12 F	+1 2020/21	+2 2021/22
<b>RECEIPTS:</b>								
<b>Operating Transfers and Grants</b>								
<b>National Government:</b>	<b>366 004</b>	<b>366 004</b>	<b>-</b>	<b>(6 999)</b>	<b>(6 999)</b>	<b>359 005</b>	<b>381 076</b>	<b>411 995</b>
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)	(7 000)	-	-	-
Local Government Financial Management Grant	1 000	1 000	-	-	-	1 000	1 000	1 264
Municipal Infrastructure Grant	5 022	5 022	-	-	-	5 022	5 317	5 742
Rural Road Asset Management Systems Grant	2 357	2 357	-	1	1	2 358	2 494	2 631
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>424</b>	<b>448</b>
Other	-	-	-	-	-	-	-	-
Rural Development Grant	-	-	-	-	-	-	-	-
Specify (Add grant description)	-	-	-	-	-	-	-	-
Raset	400	400	-	-	-	400	424	448
<b>Total Operating Transfers and Grants</b>	<b>366 004</b>	<b>366 004</b>	<b>-</b>	<b>(6 999)</b>	<b>(6 999)</b>	<b>359 405</b>	<b>381 500</b>	<b>412 443</b>
<b>Capital Transfers and Grants</b>								
<b>National Government:</b>	<b>275 839</b>	<b>275 839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275 839</b>	<b>302 870</b>	<b>358 946</b>
Integrated National Electrification Programme Grant	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	195 839	195 839	-	-	-	195 839	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	-	-	-	60 000	70 000	75 000
<b>Total Capital Transfers and Grants</b>	<b>275 839</b>	<b>275 839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275 839</b>	<b>302 870</b>	<b>358 946</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>641 842</b>	<b>641 842</b>	<b>-</b>	<b>(6 999)</b>	<b>(6 999)</b>	<b>635 243</b>	<b>684 370</b>	<b>771 389</b>

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

- National Government R 365, 2million

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

- National Government R 275, 8million

## **2.3 Adjustments to Expenditure on Allocations and Grant Programmes**

2.3.1 A total amount of R43, 2million unspent at the yearend has been reduced which is made up of the following grant allocation:

- Water Services Infrastructure Grant ( Drought Relief) R 20 000 000
- Municipal Infrastructure Grant R 23 000 000

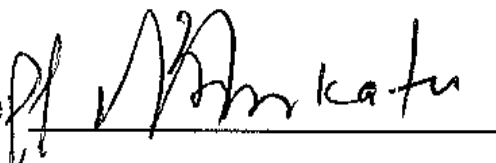
2.3.2 Harry Gwala Development Agency paid back an amount of R8, 4m to the Department of Higher Education and Training.

## 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 

Date 08 November 2019