



202021 SCHEDULE B

202021 BUDGET ADJUSTMENTS

Budget & Reporting
Budget & Treasury Office
202021 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 inform the council on the additional funding for equitable share and the withdrawal of Spatial Development Framework grant from COGTA. The revised budget must be adopted at Special Adjustments Budget meeting of Council. The budget proposed over the 2020/21 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 2020/21 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 2020/2021 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 seeks to modify the 2020/21 budget to utilise current standard allocations to provide for the fast changing economic conditions and enable spending on the COVID-19 response and to turn the municipality to a funded position. The 2020/2021 adjustment budget is funded and the municipality prepared the realistic adjustment budget. The adjustment budget is only funded due to VAT inflow and the R30 million that the municipality put aside as reserves.

The attention is given to the department of Water Services operational efficiency with considerable emphasis on operations and maintenance cost control. The Water services budget has seen an increase by R 5million due to the nature of the operations and maintenance undertaken under this department.

In preparing the adjustment budget priority had to be given to Water Services Department by making the budget available even though the municipality will prepare the legislated adjustment budget in February 2021, 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 adjustments budget and consolidated adjustments budget for the financial year 2020/2021, 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.

It is critical to note that this report s28 MFMA report has been prepared as informed by the National Treasury additional funding for COVID 19 and to correct municipality's funding position for the 2020/21 financial year presented to Council by September 2020 in terms of s24 of the MFMA.

The Adjusted revenue has increased by R43, 7m (6%) from R740, 8m to R784, 6m. This upward adjustment is mainly due to following major contributing factors;

- Additional Equitable Share R 45, 2million
- Reduction of Spatial Development Framework R 1, 5million

The Adjusted operations budget is R558, 9m having increased by R4, 4million from the original budget of R554, 5million. The item below had the major movements

- An increase of R5million for Repairs and Maintenance
- A decrease of R1 ,5million for spatial development programs

To this end, much attention is given to the department of Water Services. Water services department hosts the largest percentage of the municipality's labor force. Water Services department seen an upward adjustment by R 5million for operations and Maintenance.

The capital budget has increased from R271, 2million to R280, 7million. This is mainly attributable to the upward adjustment of the following;

- ✓ Internally Generated funds R9, 5m

Out of additional R 45, 2million equitable share, the municipality allocated R5, million to Water Services for repairs and Maintenance and R 8, 4million for water tanker trucks and R1, 5 million for Vehicles and office furniture. R30million is set aside in reserves to boost municipal cash flows so that the municipality can move closer to a funded budget as per s18 of the Municipal Finance Management Act. The municipality will continue to monitor cash flows closely and if National Treasury approves additional cash flows such as VAT refunds to form part of the budgeted receipts, the municipality will adjust expenditure accordingly in February 2021.

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 - 23/09/2020

Description	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	E	F	G	H		
Financial Performance							
Property rates	-	-	-	-	-	-	-
Service charges	71 050	-	-	-	71 050	75 272	79 723
Investment revenue	7 681	-	-	-	7 681	8 140	8 627
Transfers recognised - operational	387 266	-	43 783	43 783	431 049	411 458	441 097
Other own revenue	11 345	-	-	-	11 345	12 018	12 727
Total Revenue (excluding capital transfers and contributions)	477 343	-	43 783	43 783	521 126	506 888	542 175
Employee costs	222 746	-	-	-	222 746	232 810	248 842
Remuneration of councillors	8 018	-	-	-	8 018	8 579	9 180
Depreciation & asset impairment	84 249	-	-	-	84 249	88 294	92 533
Finance charges	4 385	-	-	-	4 385	4 595	4 816
Materials and bulk purchases	27 745	-	1 000	1 000	28 745	28 959	30 349
Transfers and grants	-	-	-	-	-	-	-
Other expenditure	207 401	-	3 450	3 450	210 851	223 220	234 130
Total Expenditure	554 543	-	4 450	4 450	558 993	586 457	619 850
Surplus/(Deficit)	(77 200)	-	39 333	39 333	(37 867)	(79 568)	(77 675)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	263 488	-	-	-	263 488	277 232	293 486
Surplus/(Deficit) after capital transfers & contributions	186 288	-	39 333	39 333	225 621	197 664	215 811
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	186 288	-	39 333	39 333	225 621	197 664	215 811
Capital expenditure & funds sources							
Capital expenditure	271 221	-	9 558	9 558	280 780	281 421	299 635
Transfers recognised - capital	263 488	-	-	-	263 488	277 232	295 236
Borrowing	-	-	-	-	-	-	-
Internally generated funds	7 734	-	9 558	9 558	17 292	4 189	4 399
Total sources of capital funds	271 221	-	9 558	9 558	280 780	281 421	299 635
Financial position							
Total current assets	54 206	-	47 562	47 562	101 768	105 607	128 044
Total non current assets	2 290 106	-	286 623	286 623	2 576 729	2 362 708	2 496 194
Total current liabilities	85 282	-	19 908	19 908	105 190	86 844	92 040
Total non current liabilities	27 811	-	9 614	9 614	37 425	25 786	27 333
Community wealth/Equity	2 231 219	-	304 663	304 663	2 535 882	2 355 684	2 504 865

Table B1 Cont.....

DC43 Harry Gwala - Table B1 Consolidated Adjustments Budget Summary - 23/09/2020

Description	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	E	F	G	H		
Cash flows							
Net cash from (used) operating	269 092	28 783	(6 554)	22 229	291 320	284 118	306 076
Net cash from (used) investing	(271 221)	–	(9 558)	(9 558)	(280 780)	(281 421)	(297 885)
Net cash from (used) financing	(4 555)	–	(5 186)	(5 186)	(9 741)	1 287	1 365
Cash/cash equivalents at the year end	6 237	28 783	6 451	35 234	41 471	45 454	55 011
Cash backing/surplus reconciliation							
Cash and investments available	6 237	–	35 234	35 234	41 471	45 454	55 011
Application of cash and investments	5 206	–	13 788	13 788	18 993	4 602	(1 494)
Balance - surplus (shortfall)	1 031	–	21 446	21 446	22 478	40 852	56 504
Asset Management							
Asset register summary (WDV)	1 875 916	–	33 629	33 629	1 909 545	1 932 990	2 049 790
Depreciation & asset impairment	84 249	–	–	–	84 249	88 294	92 533
Renewal and Upgrading of Existing Assets	17 505	–	700	700	18 205	18 403	26 655
Repairs and Maintenance	22 897	–	4 000	4 000	26 897	23 462	24 594
Free services							
Cost of Free Basic Services provided	6 189	–	–	–	6 189	6 561	6 954
Revenue cost of free services provided	–	–	–	–	–	–	–
Households below minimum service level							
Water:	–	–	–	–	–	–	–
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.

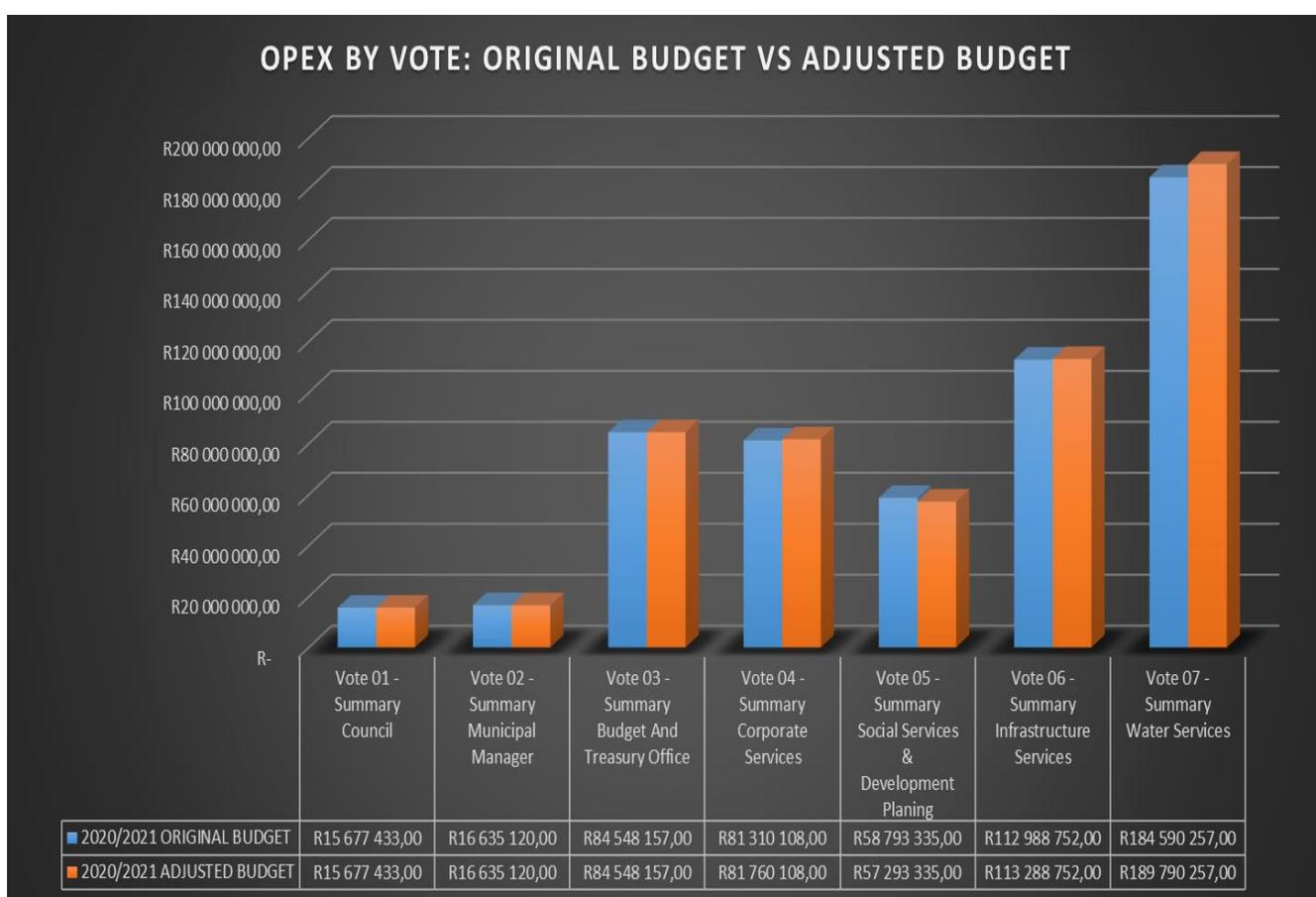
DC43 Harry Gwala - Table B2 Consolidated Adjustments Budget Financial Performance (functional classification) - 23/09/2020

Standard Description	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	9 E	10 F	11 G	12 H		
Revenue - Functional							
Governance and administration	391 887	-	45 283	45 283	437 170	423 302	453 642
Executive and council	-	-	-	-	-	-	-
Finance and administration	391 887	-	45 283	45 283	437 170	423 302	453 642
Internal audit	-	-	-	-	-	-	-
Economic and environmental services	6 966	-	(1 500)	(1 500)	5 466	5 946	6 304
Planning and development	6 966	-	(1 500)	(1 500)	5 466	5 946	6 304
Road transport	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-
Trading services	341 978	-	-	-	341 978	354 872	375 714
Energy sources	-	-	-	-	-	-	-
Water management	321 468	-	-	-	321 468	333 143	352 698
Waste water management	20 510	-	-	-	20 510	21 730	23 016
Waste management	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Revenue - Functional	740 831	-	43 783	43 783	784 614	784 120	835 660
Expenditure - Functional							
Governance and administration	240 522	-	3 450	3 450	243 972	256 513	271 025
Executive and council	24 234	-	-	-	24 234	24 766	26 200
Finance and administration	208 209	-	3 450	3 450	211 659	223 282	235 780
Internal audit	8 078	-	-	-	8 078	8 465	9 045
Community and public safety	18 788	-	-	-	18 788	18 070	19 299
Community and social services	18 788	-	-	-	18 788	18 070	19 299
Sport and recreation	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Economic and environmental services	148 577	-	(1 200)	(1 200)	147 377	154 152	162 388
Planning and development	148 577	-	(1 200)	(1 200)	147 377	154 152	162 388
Road transport	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-
Trading services	146 657	-	2 200	2 200	148 857	157 721	167 138
Energy sources	-	-	-	-	-	-	-
Water management	145 857	-	2 200	2 200	148 057	156 866	166 223
Waste water management	800	-	-	-	800	856	915
Waste management	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Expenditure - Functional	554 543	-	4 450	4 450	558 993	586 457	619 850
Surplus/ (Deficit) for the year	186 288	-	39 333	39 333	225 621	197 664	215 811

The revenue of the municipality has increased by 6% from R740, 8million originally approved budget to R784, 6million. The Budget and Treasury has seen the biggest increase in revenue due to the additional funding on equitable share of R45, 2million.

Operational expenditure has increased by 1% to R558, 9million. This increase is largely attributed to the water services department which is responsible for repairs and maintenance.

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 not adjusted their budgets, the Social Services and Development Planning budget has seen a decrease due to withdrawal of grant from COGTA and Water Services also seen an increase 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.

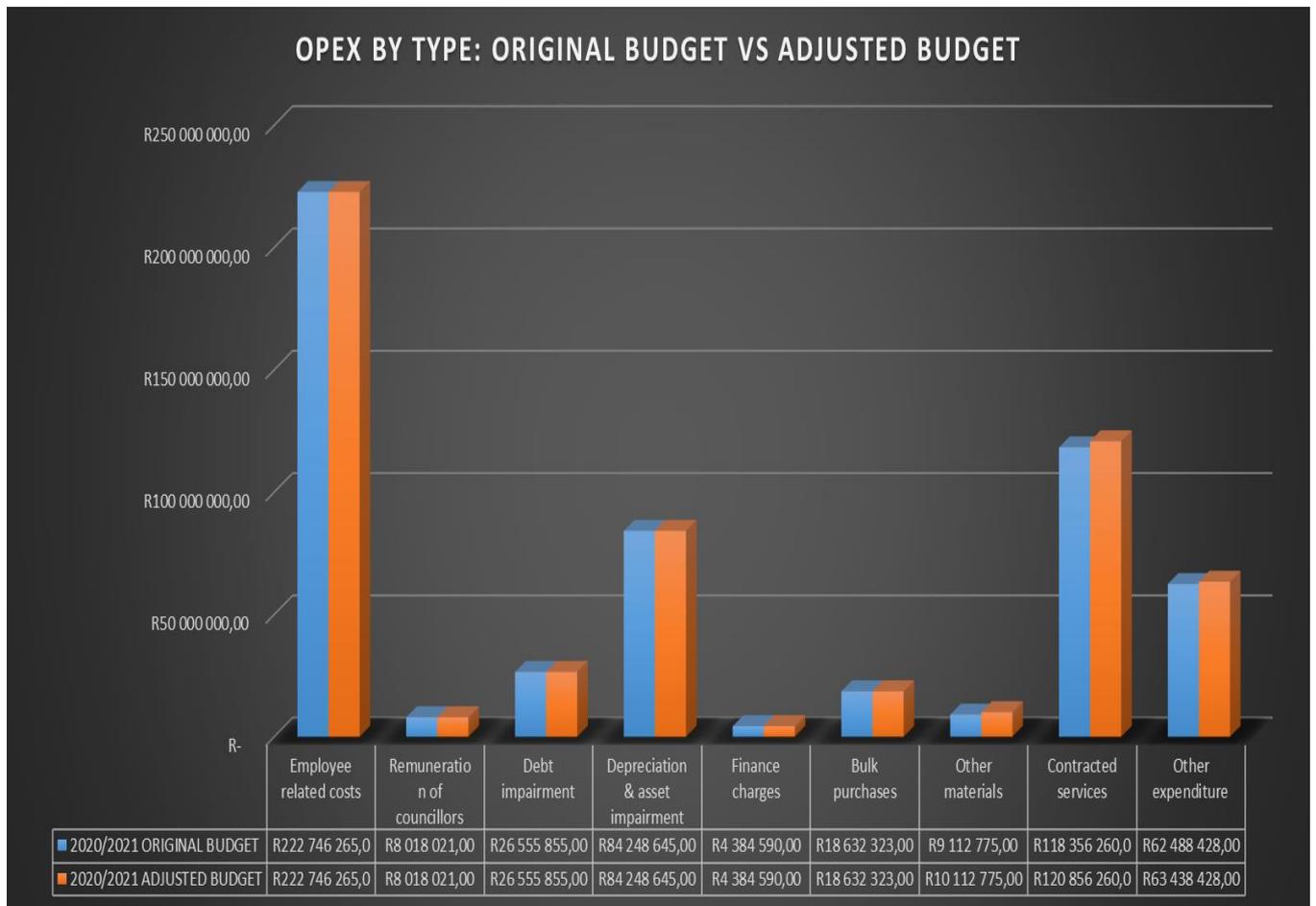
TABLE B3 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

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)

Vote Description <i>[Insert departmental structure etc]</i>	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	A	E	F	G	H		
Revenue by Vote							
Vote 01 - Summary Council	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	391 887	-	45 283	45 283	437 170	423 302	453 642
Vote 04 - Summary Corporate Services	-	-	-	-	-	-	-
Vote 05 - Summary Social Services & Development Planning	6 966	-	(1 500)	(1 500)	5 466	5 946	6 304
Vote 06 - Summary Infrastructure Services	270 928	-	-	-	270 928	279 600	295 991
Vote 07 - Summary Water Services	71 050	-	-	-	71 050	75 272	79 723
Vote 15 - Other	-	-	-	-	-	-	-
Total Revenue by Vote	740 831	-	43 783	43 783	784 614	784 120	835 660
Expenditure by Vote							
Vote 01 - Summary Council	15 677	-	-	-	15 677	16 011	16 954
Vote 02 - Summary Municipal Manager	16 635	-	-	-	16 635	17 220	18 291
Vote 03 - Summary Budget And Treasury Office	84 548	-	-	-	84 548	87 203	92 044
Vote 04 - Summary Corporate Services	81 310	-	450	450	81 760	91 218	96 210
Vote 05 - Summary Social Services & Development Planning	58 793	-	(1 500)	(1 500)	57 293	61 210	64 870
Vote 06 - Summary Infrastructure Services	112 989	-	300	300	113 289	115 738	121 874
Vote 07 - Summary Water Services	184 590	-	5 200	5 200	189 790	197 856	209 606
Vote 15 - Other	-	-	-	-	-	-	-
Total Expenditure by Vote	554 543	-	4 450	4 450	558 993	586 457	619 850
Surplus/ (Deficit) for the year	186 288	-	39 333	39 333	225 621	197 664	215 811

Chart 2: Adjustment budget financial performance



The graph above presents the adjustment budget expenditure by type.

The expenditure on contracted Service has been adjusted upward due to operations and maintenance that was not enough and COVID 19. Contracted Services has increase by R2, 5million. Other material also seen an increase of R1million.

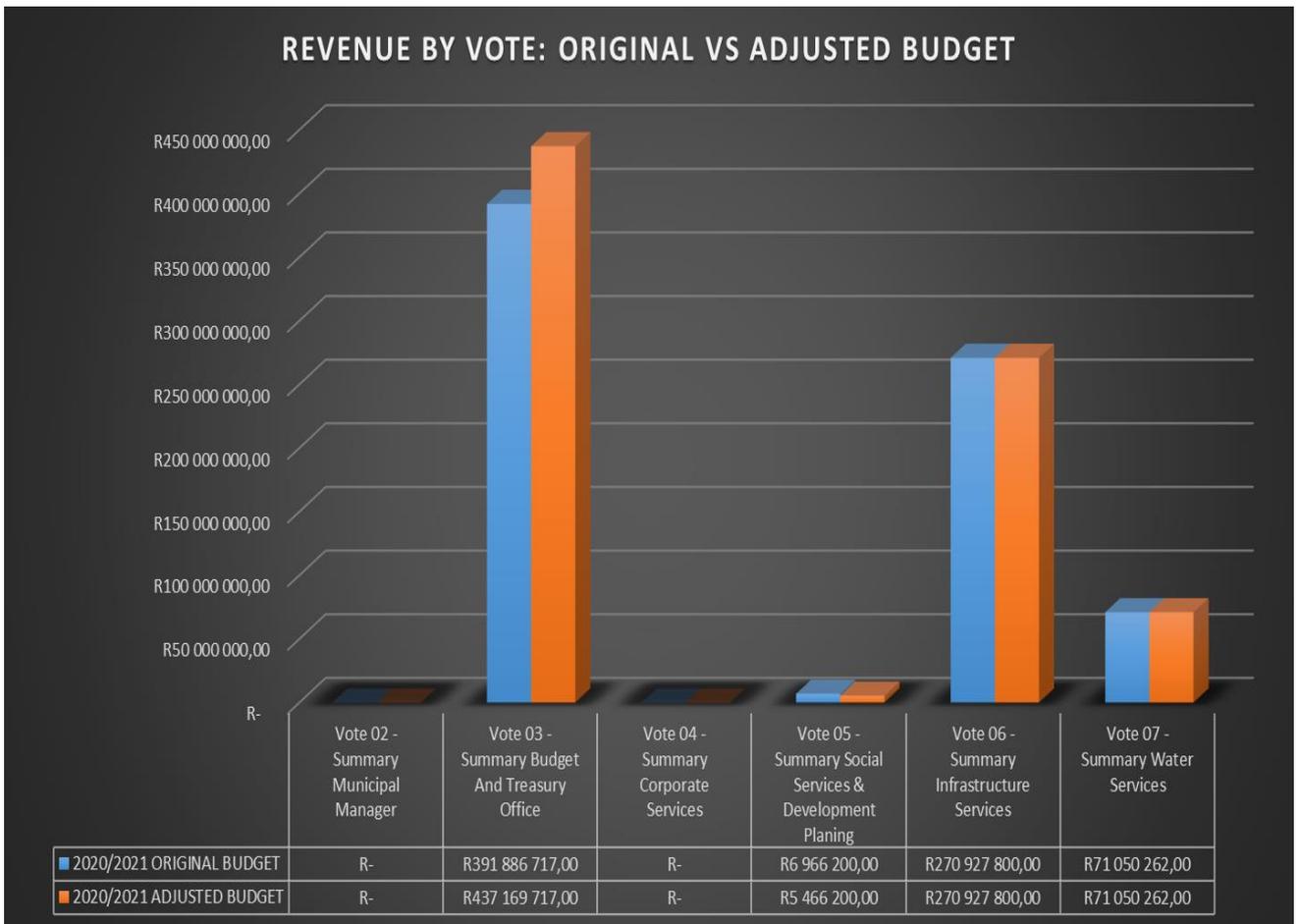
TABLE B4 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

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) - 23/09/2020

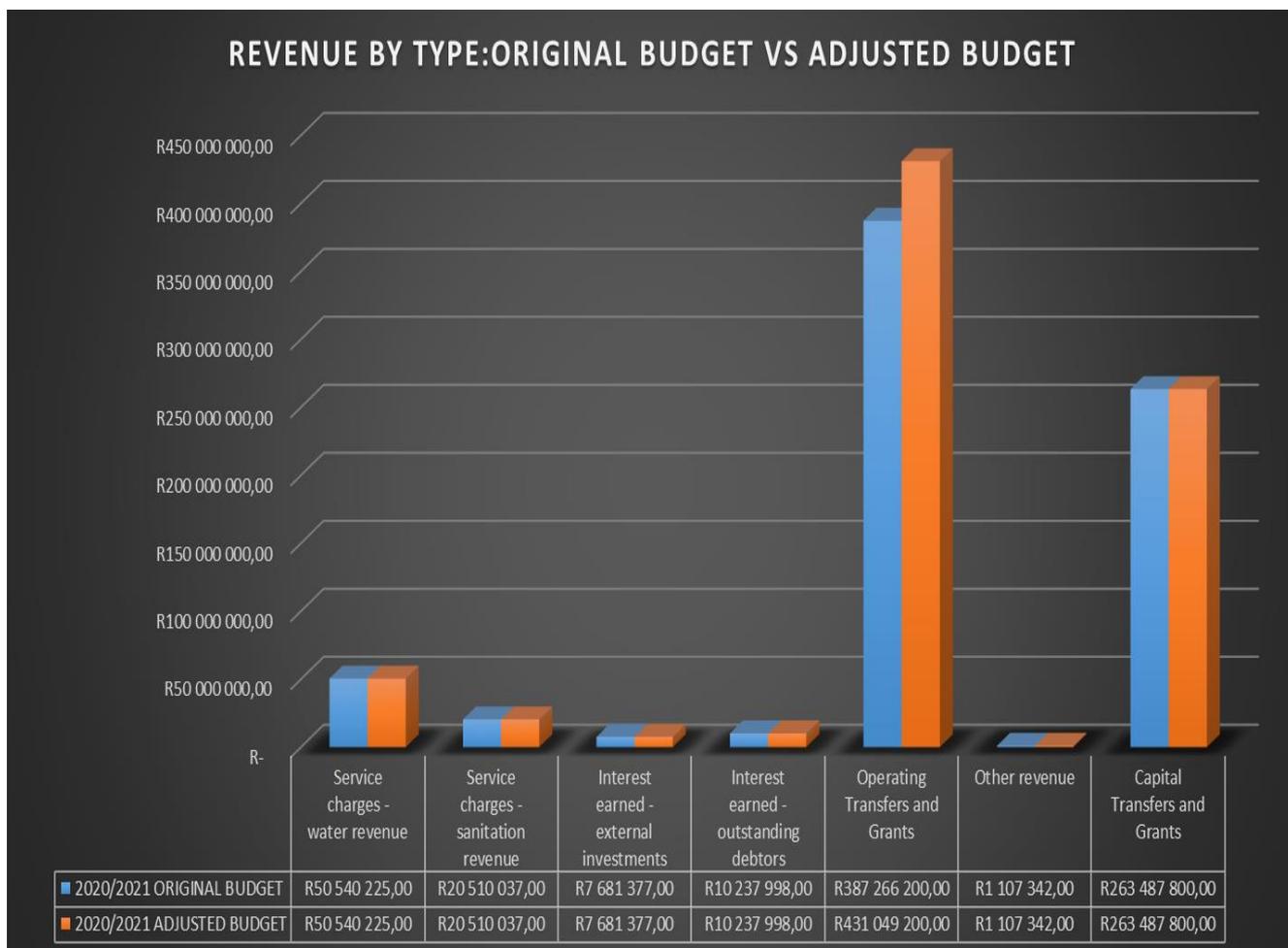
Description	Budget Year 2020/21					Budget Year	Budget Year
	Original	Nat. or Prov.	Other Adjusts.	Total Adjusts.	Adjusted	Adjusted	Adjusted
	Budget	Govt			Budget	Budget	Budget
R thousands	A	7 E	8 F	9 G	10 H		
Revenue By Source							
Property rates	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-
Service charges - water revenue	50 540	-	-	-	50 540	53 543	56 707
Service charges - sanitation revenue	20 510	-	-	-	20 510	21 730	23 016
Rental of facilities and equipment	-	-	-	-	-	-	-
Interest earned - external investments	7 681	-	-	-	7 681	8 140	8 627
Interest earned - outstanding debtors	10 238	-	-	-	10 238	10 852	11 503
Transfers and subsidies	387 266	-	43 783	43 783	431 049	411 458	441 097
Other revenue	1 107	-	-	-	1 107	1 165	1 224
Gains	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	477 343	-	43 783	43 783	521 126	506 888	542 175
Expenditure By Type							
Employee related costs	222 746	-	-	-	222 746	232 810	248 842
Remuneration of councillors	8 018	-	-	-	8 018	8 579	9 180
Debt impairment	26 556	-	-	-	26 556	27 831	29 166
Depreciation & asset impairment	84 249	-	-	-	84 249	88 294	92 533
Finance charges	4 385	-	-	-	4 385	4 595	4 816
Bulk purchases	18 632	-	-	-	18 632	19 527	20 464
Other materials	9 113	-	1 000	1 000	10 113	9 432	9 885
Contracted services	118 356	-	2 500	2 500	120 856	132 296	138 735
Transfers and subsidies	-	-	-	-	-	-	-
Other expenditure	62 488	-	950	950	63 438	63 093	66 228
Losses	-	-	-	-	-	-	-
Total Expenditure	554 543	-	4 450	4 450	558 993	586 457	619 850
Surplus/(Deficit)	(77 200)	-	39 333	39 333	(37 867)	(79 568)	(77 675)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	263 488	-	-	-	263 488	277 232	293 486
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation	186 288	-	39 333	39 333	225 621	197 664	215 811
Taxation	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	186 288	-	39 333	39 333	225 621	197 664	215 811
Attributable to minorities	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	186 288	-	39 333	39 333	225 621	197 664	215 811
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	186 288	-	39 333	39 333	225 621	197 664	215 811

Chart 3: Revenue by Vote



The above graph presents the adjustment budget by source

Chart 4: Revenue by Source



There is an upward adjustment for equitable share.

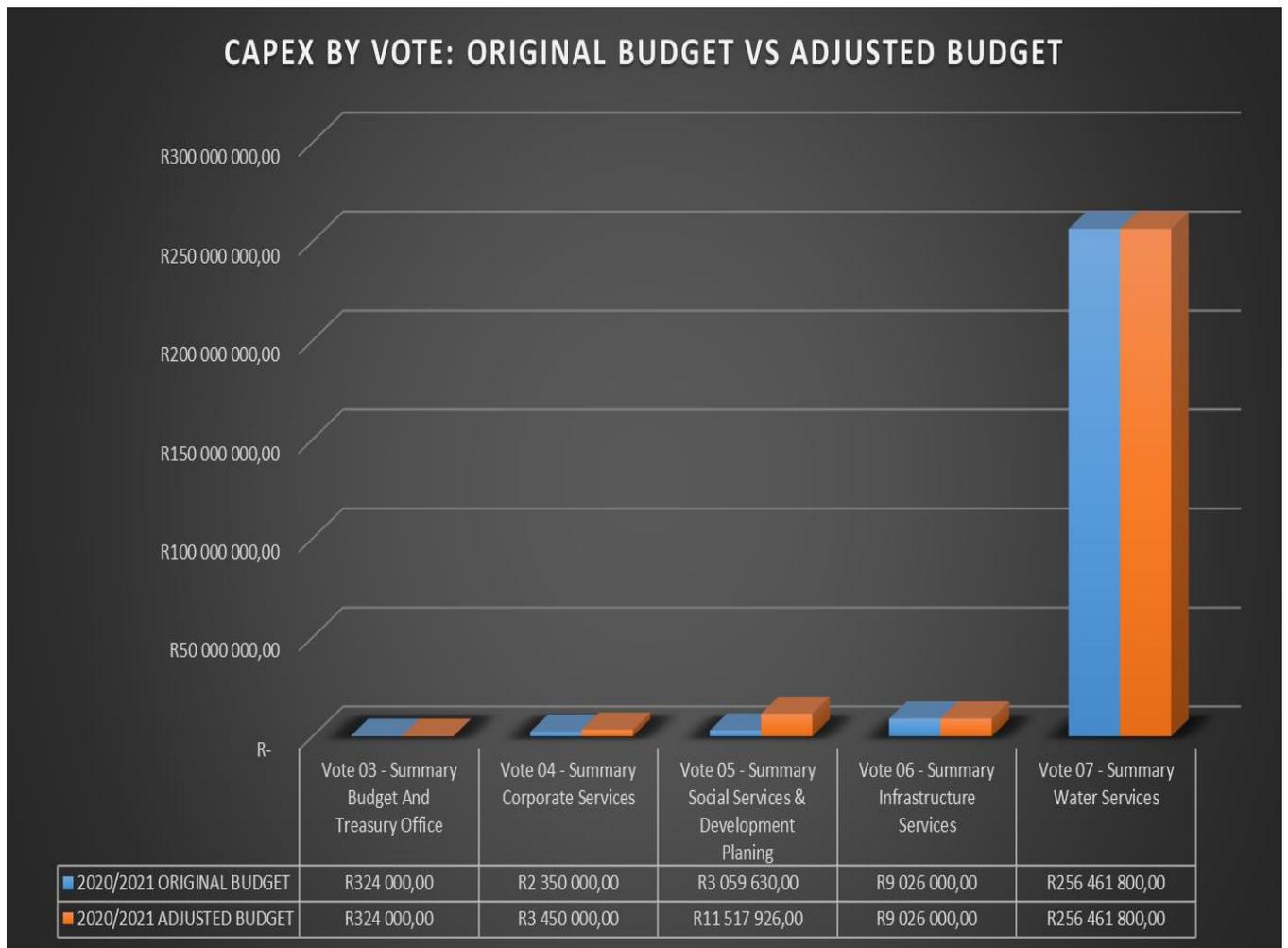
TABLE B5 ADJUSTMENT CAPITAL EXPENDITURE BUDGET BY VOTE AND FUNDING

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 - 23/09/2020

Description	Budget Year 2020/21					Budget Year	Budget Year
	Original	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
	Budget	Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
	9	10	11	12			
R thousands	A	E	F	G	H		
Capital expenditure - Vote							
Multi-year expenditure to be adjusted							
Vote 01 - Summary Council	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	324	-	-	-	324	340	357
Vote 04 - Summary Corporate Services	2 350	-	1 100	1 100	3 450	1 393	1 462
Vote 05 - Summary Social Services & Development Planning	3 060	-	8 458	8 458	11 518	357	374
Vote 06 - Summary Infrastructure Services	9 026	-	-	-	9 026	-	-
Vote 07 - Summary Water Services	256 462	-	-	-	256 462	279 332	297 441
Capital multi-year expenditure sub-total	271 221	-	9 558	9 558	280 780	281 421	299 635
Total Capital Expenditure - Vote	271 221	-	9 558	9 558	280 780	281 421	299 635
Capital Expenditure - Functional							
Governance and administration	2 964	-	1 100	1 100	4 064	2 037	2 139
Executive and council	-	-	-	-	-	-	-
Finance and administration	2 964	-	1 100	1 100	4 064	2 037	2 139
Internal audit	-	-	-	-	-	-	-
Community and public safety	2 500	-	8 458	8 458	10 958	-	-
Community and social services	2 500	-	8 458	8 458	10 958	-	-
Sport and recreation	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Economic and environmental services	270	-	-	-	270	53	55
Planning and development	270	-	-	-	270	53	55
Road transport	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-
Trading services	265 488	-	-	-	265 488	279 332	297 441
Energy sources	-	-	-	-	-	-	-
Water management	220 615	-	-	-	220 615	238 661	247 045
Waste water management	44 873	-	-	-	44 873	40 671	50 395
Waste management	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	271 221	-	9 558	9 558	280 780	281 421	299 635
Funded by:							
National Government	263 488	-	-	-	263 488	277 232	295 236
Provincial Government	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-
Transfers recognised - capital	263 488	-	-	-	263 488	277 232	295 236
Borrowing	-	-	-	-	-	-	-
Internally generated funds	7 734	-	9 558	9 558	17 292	4 189	4 399
Total Capital Funding	271 221	-	9 558	9 558	280 780	281 421	299 635

Chart 6: Capital Expenditure by Type



The originally approved capital budget was R 271, 2million and adjusted budget is R 280, 7million. The upward adjustment is due to water tankering trucks that the municipality bought for COVID 19 consuming 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 - 23/09/2020

Description	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	A	E	F	G	H		
ASSETS							
Current assets							
Cash	1 720	-	37 437	37 437	39 157	45 454	55 011
Call investment deposits	4 517	-	(2 203)	(2 203)	2 314	-	-
Consumer debtors	33 454	-	3 659	3 659	37 114	44 766	56 724
Other debtors	14 334	-	8 582	8 582	22 917	15 194	16 106
Current portion of long-term receivables	-	-	-	-	-	-	-
Inventory	181	-	86	86	267	192	203
Total current assets	54 206	-	47 562	47 562	101 768	105 607	128 044
Non current assets							
Long-term receivables					-	-	
Investments					-	-	
Investment property	-	-	-	-	-	-	-
Investment in Associate					-	-	
Property, plant and equipment	2 288 618	-	287 282	287 282	2 575 900	2 361 132	2 494 526
Biological					-	-	
Intangible	1 489	-	(659)	(659)	829	1 576	1 668
Other non-current assets	0	-	-	-	0	0	0
Total non current assets	2 290 106	-	286 623	286 623	2 576 729	2 362 708	2 496 194
TOTAL ASSETS	2 344 313	-	334 185	334 185	2 678 497	2 468 314	2 624 238
LIABILITIES							
Current liabilities							
Bank overdraft					-	-	
Borrowing	4 555	-	(4 555)	(4 555)	-	1 287	1 365
Consumer deposits	1 845	-	163	163	2 008	1 956	2 073
Trade and other payables	68 734	-	21 154	21 154	89 888	72 844	77 200
Provisions	10 148	-	3 146	3 146	13 294	10 757	11 403
Total current liabilities	85 282	-	19 908	19 908	105 190	86 844	92 040
Non current liabilities							
Borrowing	3 485	-	12 555	12 555	16 040	-	-
Provisions	24 326	-	(2 941)	(2 941)	21 385	25 786	27 333
Total non current liabilities	27 811	-	9 614	9 614	37 425	25 786	27 333
TOTAL LIABILITIES	113 094	-	29 522	29 522	142 615	112 630	119 373
NET ASSETS	2 231 219	-	304 663	304 663	2 535 882	2 355 684	2 504 865
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)	2 231 219	-	304 663	304 663	2 535 882	2 355 684	2 504 865
Reserves	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2 231 219	-	304 663	304 663	2 535 882	2 355 684	2 504 865

TABLE B7 ADJUSTMENTS BUDGET CASH FLOWS

DC43 Harry Gwala - Table B7 Consolidated Adjustments Budget Cash Flows - 23/09/2020

Description	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	7 E	8 F	9 G	10 H		
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Property rates				-	-		
Service charges	53 288		(7 105)	(7 105)	46 183	56 454	59 792
Other revenue	1 107		6 625	6 625	7 732	1 165	1 224
Transfers and Subsidies - Operational	387 266	43 783		43 783	431 049	411 458	441 097
Transfers and Subsidies - Capital	263 488			-	263 488	277 232	293 486
Interest	7 681			-	7 681	8 140	8 627
Dividends	-	-	-	-	-	-	-
Payments							
Suppliers and employees	(439 354)	(15 000)	(6 074)	(21 074)	(460 428)	(465 737)	(493 334)
Finance charges	(4 385)	-	-	-	(4 385)	(4 595)	(4 816)
Transfers and Grants	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	269 092	28 783	(6 554)	22 229	291 320	284 118	306 076
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE				-	-		
Decrease (increase) in non-current receivables				-	-		
Decrease (increase) in non-current investments				-	-		
Payments							
Capital assets	(271 221)	-	(9 558)	(9 558)	(280 780)	(281 421)	(297 885)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(271 221)	-	(9 558)	(9 558)	(280 780)	(281 421)	(297 885)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans				-	-		
Borrowing long term/refinancing				-	-		
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-
Payments							
Repayment of borrowing	(4 555)	-	(5 186)	(5 186)	(9 741)	1 287	1 365
NET CASH FROM/(USED) FINANCING ACTIVITIES	(4 555)	-	(5 186)	(5 186)	(9 741)	1 287	1 365
NET INCREASE/ (DECREASE) IN CASH HELD	(6 685)	28 783	(21 299)	7 484	800	3 984	9 556
Cash/cash equivalents at the year begin:	12 922	-	27 749	27 749	40 671	41 471	45 454
Cash/cash equivalents at the year end:	6 237	28 783	6 451	35 234	41 471	45 454	55 011

TABLE B8 CASH BACKED RESERVES / ACCUMULATED SURPLUS RECONCILIATION

DC43 Harry Gwala - Table B8 Consolidated Cash backed reserves/accumulated surplus reconciliation - 23/09/2020

Description	Budget Year 2020/21					Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	E	F	G	H		
Cash and investments available							
Cash/cash equivalents at the year end	6 237	28 783	6 451	35 234	41 471	45 454	55 011
Other current investments > 90 days	0	(28 783)	28 783	0	0	-	-
Non current assets - Investments	-	-	-	-	-	-	-
Cash and investments available:	6 237	-	35 234	35 234	41 471	45 454	55 011
Applications of cash and investments							
Unspent conditional transfers	236	-	-	-	236	236	236
Unspent borrowing					-		
Statutory requirements	(42 128)				(42 128)	(44 250)	(47 150)
Other working capital requirements	36 950		9 872	9 872	46 822	33 028	28 897
Other provisions	10 148		3 916	3 916	14 064	15 588	16 524
Long term investments committed	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-				-	-	-
Total Application of cash and investments:	5 206	-	13 788	13 788	18 993	4 602	(1 494)
Surplus(shortfall)	1 031	-	21 446	21 446	22 478	40 852	56 504

TABLE B9 ASSET MANAGEMENT

DC43 Harry Gwala - Table B9 Consolidated Asset Management - 23/09/2020

Description	Budget Year 2020/21					Budget Year	Budget Year
	Original	Nat. or Prov.	Other	Total Adjusts.	Adjusted	Adjusted	Adjusted
	Budget	Govt	Adjusts.		Budget	Budget	Budget
	11	12	13	14			
R thousands	A	E	F	G	H		
CAPITAL EXPENDITURE							
Total New Assets to be adjusted	253 717	-	8 858	8 858	262 575	263 019	272 979
<i>Water Supply Infrastructure</i>	213 161	-	-	-	213 161	220 311	220 445
<i>Sanitation Infrastructure</i>	34 873	-	-	-	34 873	40 671	50 395
Infrastructure	248 033	-	-	-	248 033	260 982	270 841
Licences and Rights	200	-	-	-	200	210	221
Intangible Assets	200	-	-	-	200	210	221
Computer Equipment	1 590	-	100	100	1 690	594	624
Furniture and Office Equipment	910	-	300	300	1 210	956	1 003
Machinery and Equipment	484	-	-	-	484	277	291
Transport Assets	2 500	-	8 458	8 458	10 958	-	-
Land	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-
Total Renewal of Existing Assets to be adjusted	830	-	700	700	1 530	10 203	14 655
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	780	-	-	-	780	10 150	14 600
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-
Infrastructure	780	-	-	-	780	10 150	14 600
Furniture and Office Equipment	-	-	-	-	-	-	-
Machinery and Equipment	50	-	-	-	50	53	55
Transport Assets	-	-	700	700	700	-	-
Total Upgrading of Existing Assets to be adjusted	16 675	-	-	-	16 675	8 200	12 000
<i>Water Supply Infrastructure</i>	6 675	-	-	-	6 675	8 200	12 000
<i>Sanitation Infrastructure</i>	10 000	-	-	-	10 000	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-
Infrastructure	16 675	-	-	-	16 675	8 200	12 000
Total Capital Expenditure to be adjusted	271 221	-	9 558	9 558	280 780	281 421	299 635
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	220 615	-	-	-	220 615	238 661	247 045
<i>Sanitation Infrastructure</i>	44 873	-	-	-	44 873	40 671	50 395
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-
Infrastructure	265 488	-	-	-	265 488	279 332	297 441
Licences and Rights	200	-	-	-	200	210	221
Intangible Assets	200	-	-	-	200	210	221
Computer Equipment	1 590	-	100	100	1 690	594	624
Furniture and Office Equipment	910	-	300	300	1 210	956	1 003
Machinery and Equipment	534	-	-	-	534	330	346
Transport Assets	2 500	-	9 158	9 158	11 658	-	-
Land	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE to be adjusted	271 221	-	9 558	9 558	280 780	281 421	299 635

DC43 Harry Gwala - Table B9 Consolidated Asset Management - 23/09/2020

Description	Budget Year 2020/21					Budget Year	Budget Year
	Original	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
	Budget	Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands	A	11 E	12 F	13 G	14 H	+1 2021/22	+2 2022/23
ASSET REGISTER SUMMARY - PPE (WDV)	1 875 916	-	33 629	33 629	1 909 545	1 932 990	2 049 790
<i>Roads Infrastructure</i>	3 718	-	(3 521)	(3 521)	197	3 941	4 178
<i>Storm water Infrastructure</i>							
<i>Electrical Infrastructure</i>	14 902	-	(4 805)	(4 805)	10 098	15 797	16 744
<i>Water Supply Infrastructure</i>	1 639 662	-	(1 445)	(1 445)	1 638 217	1 693 992	1 789 732
<i>Sanitation Infrastructure</i>	174 209	-	22 236	22 236	196 445	177 768	195 718
<i>Information and Communication Infrastructure</i>	361	-	(200)	(200)	161	383	405
Infrastructure	1 832 853	-	12 264	12 264	1 845 117	1 891 880	2 006 778
Community Assets	28 498	-	(25 879)	(25 879)	2 619	30 208	32 021
Other Assets	114	-	35 924	35 924	36 037	120	128
Biological or Cultivated Assets							
Intangible Assets	1 489	-	(659)	(659)	829	1 576	1 668
Computer Equipment	2 395	-	2 699	2 699	5 094	1 448	1 529
Furniture and Office Equipment	2 630	-	(560)	(560)	2 070	2 778	2 936
Machinery and Equipment	192	-	500	500	692	(582)	(1 164)
Transport Assets	7 746	-	9 341	9 341	17 087	5 561	5 895
Land							
Zoo's, Marine and Non-biological Animals							
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 875 916	-	33 629	33 629	1 909 545	1 932 990	2 049 790
EXPENDITURE OTHER ITEMS							
Depreciation & asset impairment	84 249	-	-	-	84 249	88 294	92 533
Repairs and Maintenance by asset class	22 897	-	4 000	4 000	26 897	23 462	24 594
<i>Water Supply Infrastructure</i>	18 685	-	4 000	4 000	22 685	19 582	20 522
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-
Infrastructure	18 685	-	4 000	4 000	22 685	19 582	20 522
Community Facilities	-	-	-	-	-	-	-
Sport and Recreation Facilities	153	-	-	-	153	160	168
Community Assets	153	-	-	-	153	160	168
Operational Buildings	2 500	-	-	-	2 500	2 631	2 763
Housing	-	-	-	-	-	-	-
Other Assets	2 500	-	-	-	2 500	2 631	2 763
Computer Equipment	520	-	-	-	520	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-
Machinery and Equipment	724	-	-	-	724	759	795
Transport Assets	315	-	-	-	315	330	346
Land	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	107 146	-	4 000	4 000	111 146	111 756	117 127
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	6,5%				6,5%	6,5%	8,9%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>	20,8%				21,6%	20,8%	28,8%
<i>R&M as a % of PPE</i>	1,2%				1,4%	1,2%	1,2%
<i>Renewal and upgrading and R&M as a % of PPE</i>	2,2%				2,4%	2,2%	2,5%

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
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 Servic 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 Servic 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)	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–	–	–	–	–
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 65 per cent of billed services looking at the performance of the previous financial year.

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 65 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 - 23/09/2020

Description	Budget Year 2020/21					Budget Year	Budget Year
	Original	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
	Budget	Govt	Adjus.	Adjus.	Budget	Budget	Budget
	9	10	11	12			
	A	C	D	E	F		
R thousands							
RECEIPTS:							
Operating Transfers and Grants							
National Government:	385 766	-	45 283	45 283	431 049	411 458	441 097
Local Government Equitable Share							
Equitable Share	372 340	-	45 283	45 283	417 623	402 448	431 617
Expanded Public Works Programme Integrated Grant	5 195	-	-	-	5 195	-	-
Integrated National Electrification Programme Grant	-	-	-	-	-	-	-
Local Government Financial Management Grant	1 000	-	-	-	1 000	1 200	1 200
Municipal Disaster Relief Grant	-	-	-	-	-	-	-
Municipal Infrastructure Grant	4 986	-	-	-	4 986	5 442	5 775
Rural Road Asset Management Systems Grant	2 245	-	-	-	2 245	2 368	2 505
Water Services Infrastructure Grant	-	-	-	-	-	-	-
Provincial Government:	1 500	-	(1 500)	(1 500)	-	-	-
Other	-	-	-	-	-	-	-
Rural Development Grant	-	-	-	-	-	-	-
Specify (Add grant description)	1 500	-	(1 500)	(1 500)	-	-	-
District Municipality:	-	-	-	-	-	-	-
Specify (Add grant description)	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-
Parent Municipality	-	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-	-
Total Operating Transfers and Grants	387 266	-	43 783	43 783	431 049	411 458	441 097
Capital Transfers and Grants							
National Government:	263 488	-	-	-	263 488	277 232	293 486
Equitable Share	-	-	-	-	-	-	-
Integrated National Electrification Programme Grant	-	-	-	-	-	-	-
Municipal Infrastructure Grant	194 462	-	-	-	194 462	212 232	225 236
Municipal Water Infrastructure Grant	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant	-	-	-	-	-	-	-
Regional Bulk Infrastructure Grant	9 026	-	-	-	9 026	-	-
Rural Road Asset Management Systems Grant	-	-	-	-	-	-	-
Water Services Infrastructure Grant	60 000	-	-	-	60 000	65 000	68 250
Provincial Government:	-	-	-	-	-	-	-
Specify (Add grant description)	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-
Specify (Add grant description)	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-
[insert description]							
Total Capital Transfers and Grants	263 488	-	-	-	263 488	277 232	293 486
TOTAL RECEIPTS OF TRANSFERS & GRANTS	650 754	-	43 783	43 783	694 537	688 690	734 583

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

- National Government R 431million

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

- National Government R 263, 4million

2.3 Adjustments to Expenditure on Allocations and Grant Programmes

2.3.1 A total amount of R16million unspent at the yearend has been reduced which is made up of the following grant allocation:

- COGTA Grant R 15 000 000

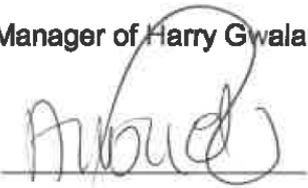
2.3.2 Withdrawal of COGTA grant amounting to R1, 5m for Spatial Development programme.

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 29 September 2020