



202122 SCHEDULE B

202122 BUDGET ADJUSTMENTS

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Glossary

Adjustments budget – Prescribed in section 28 of the MFMA.

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

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

Budget – The financial plan of the Municipality.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Virement – A transfer of budget.

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

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

PART 1 – ADJUSTMENTS BUDGET

1. Mayor’s Report

INTRODUCTION

The adjustment budget seeks to rectify issues identified in the mid-year assessment of the financial results as well as the inclusion of additional allocations. It is drafted in terms of section 28 of the MFMA and seeks to adhere to the stipulations of specifically section 28(2) of the MFMA

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 2021/22 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 2021/2022 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 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 47, 7million due to the nature of the operations and maintenance undertaken under this department, while most departments have seen a decrease in their budgets

In preparing the adjustment budget priority had to be given to Water Services Department by making budget available for the next five months, 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 2021/2022, as set-out in the schedules contained in Section 4, be approved:

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

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

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

3. Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains viable and that the municipality services are provided sustainably, economically and equitably to all communities.

It is critical to note that this report s28 MFMA report has been prepared as informed by the Midyear Performance assessment report presented to Council in January 2022 in terms of s72 of the MFMA a report that was also submitted to the National and Provincial in terms of s72 (1) (b) MFMA.

The Adjusted revenue has increased by R20, 1m (3%) from R805, 5m to R825, 6m. This upward adjustment is mainly due to following major contributing factors;

- | | |
|--|---------|
| • Service charges - water revenue | R 1, 2m |
| • Service charges - sanitation revenue | R 8m |
| • Interest earned - external investments | R 1, 1m |
| • Interest earned - external investments | R 517k |
| • COGTA Grant | R 30m |

The Adjusted operations budget is R614, 1m having increased by R36, 5million from the original budget of R577, 5million. The item below had the major movements

- An increase of R12million for Inventory Consumed
- Increase of R20m Contracted Services
- Increase of R 6, 2m for Employee Related Costs
- An increase of R 478k for operational Costs

To this end much attention is given to the department of Water Services. Water services department also hosts the largest percentage of the municipality's labour force. Water Services department seen an upward adjustment by R 47, 7million for operations and Maintenance.

The capital budget has increased from R311, 2million to R279, 6million. This is mainly attributable to the upward adjustment of the following grants;

- | | |
|----------------------|--------|
| ✓ COGTA Grant | R30m |
| ✓ Municipal Vehicles | R 800k |

As the municipality is in the process of reducing costs, there is an amount of R800 000 that is set aside to procure the municipal Vehicles, furthermore the municipality decided not renew the contract of leasing the municipal vehicles in that way the municipality is going save a lot of money.

TABLE B 1 CONSOLIDATED 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 - 24/02/2022

Description	Budget Year 2021/22					Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1	6	7	8		
R thousands	A	A1	F	G	H		
Financial Performance							
Property rates	-	-	-	-	-	-	-
Service charges	69 422	69 422	(9 335)	(9 335)	60 087	73 587	78 002
Investment revenue	5 682	5 682	(1 178)	(1 178)	4 504	6 018	6 290
Transfers recognised - operational	417 406	417 406	-	-	417 406	440 169	444 057
Other own revenue	10 748	10 748	817	817	11 565	11 384	12 058
Total Revenue (excluding capital transfers and contributions)	503 258	503 258	(9 695)	(9 695)	493 562	531 159	540 407
Employee costs	237 156	237 156	6 238	6 238	243 395	252 896	269 738
Remuneration of councillors	8 922	8 922	(385)	(385)	8 538	9 547	10 215
Depreciation & asset impairment	87 410	87 410	1 005	1 005	88 415	91 000	94 981
Finance charges	1 328	1 328	(913)	(913)	415	1 385	1 447
Inventory consumed and bulk purchases	31 249	31 249	12 089	12 089	43 337	32 610	34 064
Transfers and grants	17 000	17 000	-	-	17 000	20 000	20 000
Other expenditure	194 529	194 529	19 547	19 547	214 077	205 559	214 374
Total Expenditure	577 594	577 594	37 582	37 582	615 176	612 998	644 819
Surplus/(Deficit)	(74 336)	(74 336)	(47 277)	(47 277)	(121 614)	(81 839)	(104 412)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	298 258	302 258	30 000	30 000	332 258	340 236	355 787
Surplus/(Deficit) after capital transfers & contributions	223 922	227 922	(17 277)	(17 277)	210 644	258 397	251 375
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	223 922	227 922	(17 277)	(17 277)	210 644	258 397	251 375
Capital expenditure & funds sources							
Capital expenditure	307 283	311 283	(31 662)	(31 662)	279 622	347 620	363 499
Transfers recognised - capital	298 258	302 258	(33 291)	(33 291)	268 967	340 236	355 787
Borrowing	-	-	-	-	-	-	-
Internally generated funds	9 025	9 025	1 629	1 629	10 655	7 384	7 712
Total sources of capital funds	307 283	311 283	(31 662)	(31 662)	279 622	347 620	363 499
Financial position							
Total current assets	107 619	107 619	3 684	3 684	111 304	108 494	94 428
Total non current assets	2 845 908	2 849 908	(106 729)	(106 729)	2 743 179	3 099 933	3 409 502
Total current liabilities	106 785	106 785	(4 283)	(4 283)	102 502	99 278	91 271
Total non current liabilities	25 676	25 676	3 080	3 080	28 756	26 265	28 384
Community wealth/Equity	2 821 066	2 825 066	(106 920)	(106 920)	2 718 147	3 085 219	3 386 611
Cash flows							
Net cash from (used) operating	307 375	307 375	(75 779)	(75 779)	231 596	382 050	379 927
Net cash from (used) investing	(307 283)	(307 283)	31 740	31 740	(275 544)	(347 620)	(363 499)
Net cash from (used) financing	(122)	(2 155)	(27)	(27)	(2 182)	(122)	(143)
Cash/cash equivalents at the year end	48 701	46 668	(40 936)	(40 936)	5 732	85 488	67 182
Cash backing/surplus reconciliation							
Cash and investments available	51 179	51 179	13 468	13 468	64 647	52 228	35 977
Application of cash and investments	6 130	59 118	(22 064)	(22 064)	37 054	(7 348)	(15 328)
Balance - surplus (shortfall)	45 050	(7 939)	35 532	35 532	27 593	59 576	51 305

Table B1 Cont.....

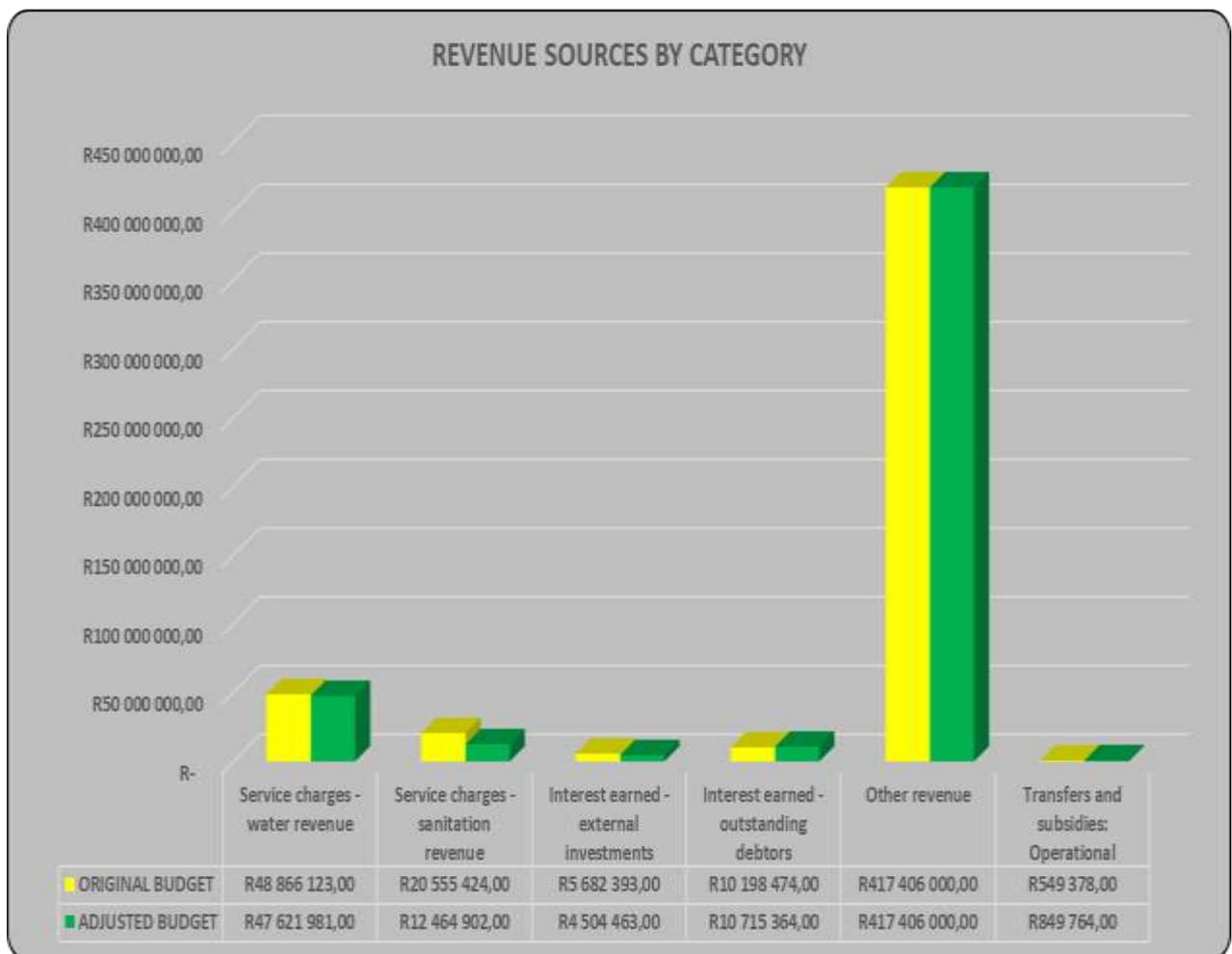
DC43 Harry Gwala - Table B1 Consolidated Adjustments Budget Summary - 24/02/2022							
Description	Budget Year 2021/22					Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		1	6	7	8		
R thousands	A	A1	F	G	H		
Asset Management							
Asset register summary (WDV)	2 178 724	2 182 724	(171 379)	(171 379)	2 011 345	2 432 749	2 742 318
Depreciation	87 410	87 410	1 005	1 005	88 415	91 000	94 981
Renewal and Upgrading of Existing Assets	16 500	20 500	32 237	32 237	52 737	–	–
Repairs and Maintenance	34 000	35 000	12 291	12 291	47 290	35 496	37 093
Free services							
Cost of Free Basic Services provided	7	–	612	612	619	7	7
Revenue cost of free services provided	–	–	–	–	–	–	–
Households below minimum service level							
Water:	31	–	–	–	31	33	35
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) - 24/02/2022

Standard Description	Budget Year 2021/22						Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		5	9	10	11	12		
R thousands	A	A1	E	F	G	H		
Revenue - Functional								
Governance and administration	404 553	404 553	-	(10 962)	(10 962)	393 591	429 229	433 781
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	404 553	404 553	-	(10 962)	(10 962)	393 591	429 229	433 781
Internal audit	-	-	-	-	-	-	-	-
Community and public safety	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	22 412	22 412	-	(5 322)	(5 322)	17 090	25 955	26 235
Planning and development	22 412	22 412	-	(5 322)	(5 322)	17 090	25 955	26 235
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Trading services	374 551	378 551	-	36 589	36 589	415 139	416 210	436 179
Energy sources	-	-	-	-	-	-	-	-
Water management	360 199	360 199	-	8 534	8 534	368 733	400 997	420 054
Waste water management	14 352	18 352	-	28 055	28 055	46 406	15 213	16 126
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue - Functional	801 516	805 516	-	20 305	20 305	825 820	871 394	896 195
Expenditure - Functional								
Governance and administration	251 534	251 534	-	(1 935)	(1 935)	249 599	265 093	279 603
Executive and council	24 745	24 745	-	10 479	10 479	35 223	26 149	27 649
Finance and administration	217 553	217 553	-	(11 366)	(11 366)	206 186	229 088	241 434
Internal audit	9 236	9 236	-	(1 047)	(1 047)	8 189	9 856	10 519
Community and public safety	18 501	18 501	-	696	696	19 197	19 736	21 057
Community and social services	18 501	18 501	-	696	696	19 197	19 736	21 057
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	154 812	154 812	-	(6 810)	(6 810)	148 002	166 438	172 760
Planning and development	154 812	154 812	-	(6 810)	(6 810)	148 002	166 438	172 760
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Trading services	152 747	152 747	-	44 631	44 631	197 378	161 730	171 400
Energy sources	-	-	-	-	-	-	-	-
Water management	151 849	151 849	-	44 418	44 418	196 266	160 769	170 372
Waste water management	898	898	-	213	213	1 111	961	1 028
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditure - Functional	577 594	577 594	-	36 582	36 582	614 176	612 998	644 819
Surplus/ (Deficit) for the year	223 922	227 922	-	(16 277)	(16 277)	211 644	258 397	251 375

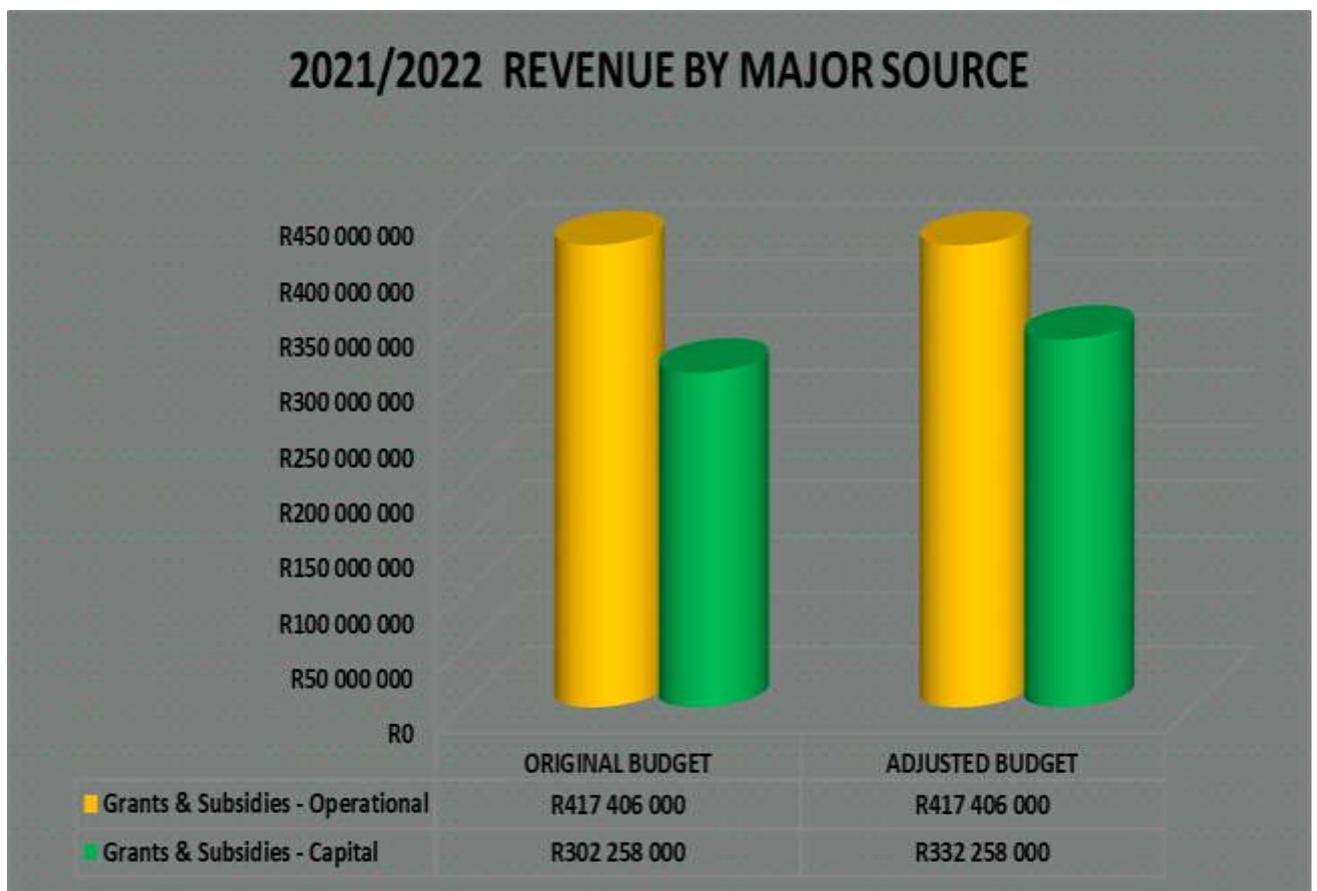


The consolidated revenue has increased by 3% from R805, 5million originally approved budget to R825, 8million. This upward adjustment is mainly due to following major contributing factors;

- Service charges - water revenue : Reduced by R1, 2m from R48, 8m to R47, 56million. A reduction is as a result of Kokstad area 86% of the consumers who were billed on consumption base are no longer billed as the credit meters are converted into prepaid meters.
- Service charges - sanitation revenue: Adjusted downward by R8m from R20, 5m to R12, 4million. A decrease is as a result of Kokstad area 86% of the consumers who were billed on consumption base are no longer billed as the credit meters are converted into prepaid meters.
- Interest earned - external investments: Reduced by R1, 1m from R5, 6m to R4, 5m due to reduction of investment during the financial year due to available cash being committed to day to day operational activities of the municipality.

- Interest earned – Outstanding Debtors: Increased by R517k to R10, 7m due to consumers who were billed on consumption base are no longer billed as the credit meters are converted into prepaid meters
- Capital transfers and Grants - Capital transfers and grants has been increased due to additional grant from Provincial COGTA amount to R30million.

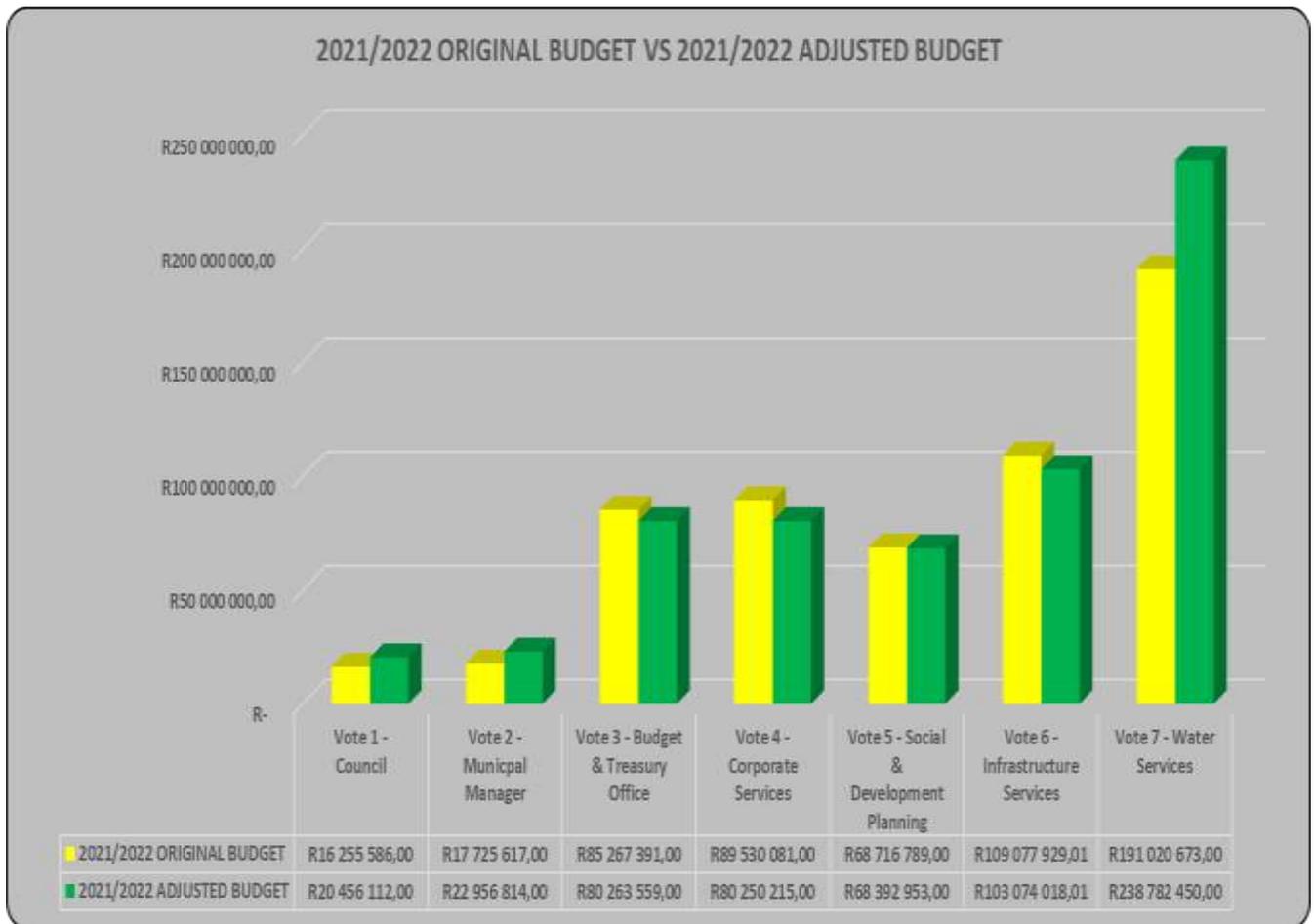
Chart 1: Adjusted Revenue Budget by Standard Classification



Consolidated Operational expenditure has increased by 7% to R596million. This increase is largely attributed to the water services department which is responsible for repairs and maintenance.

- Employee Related Costs: A variance of R 6, 2million or 3 per cent due to an under-estimation of budgeted employee related costs. The revised employee related costs expenditure of R 6, 2million or 3 per cent more than the original budget of R 237, 1million for the current financial year
- Inventory Consumed: A variance of R12million or 28 per cent due to an under-estimation of budgeted bulk water purchases. The revised bulk water purchases and inventory water of R 12million is 39 per cent more than the original budget of R 31, 2million to R 43, 3million for the current financial year
- Contracted Services: A negative variance of R 21, 6 million or 16 per cent due to a limited funds therefore the original budget was under estimated. The revised budget includes upward adjustment of repairs and maintenance.
- Other expenditure or Operating Costs: A negative variance of R1 million or 1per cent due to a limited funds therefore the original budget was under estimated. The revised operating costs expenditure of R 1million is 2 per cent more than the original budget of R 60, 5million for the current financial year

Chart 2: 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, Water Services has seen an increase due to the nature of the operations and repairs and maintenance undertaken under water services department followed by Corporate Services due to day to day operations of the municipality. Water Services Department also hosts the largest percentage of the municipality's labour force

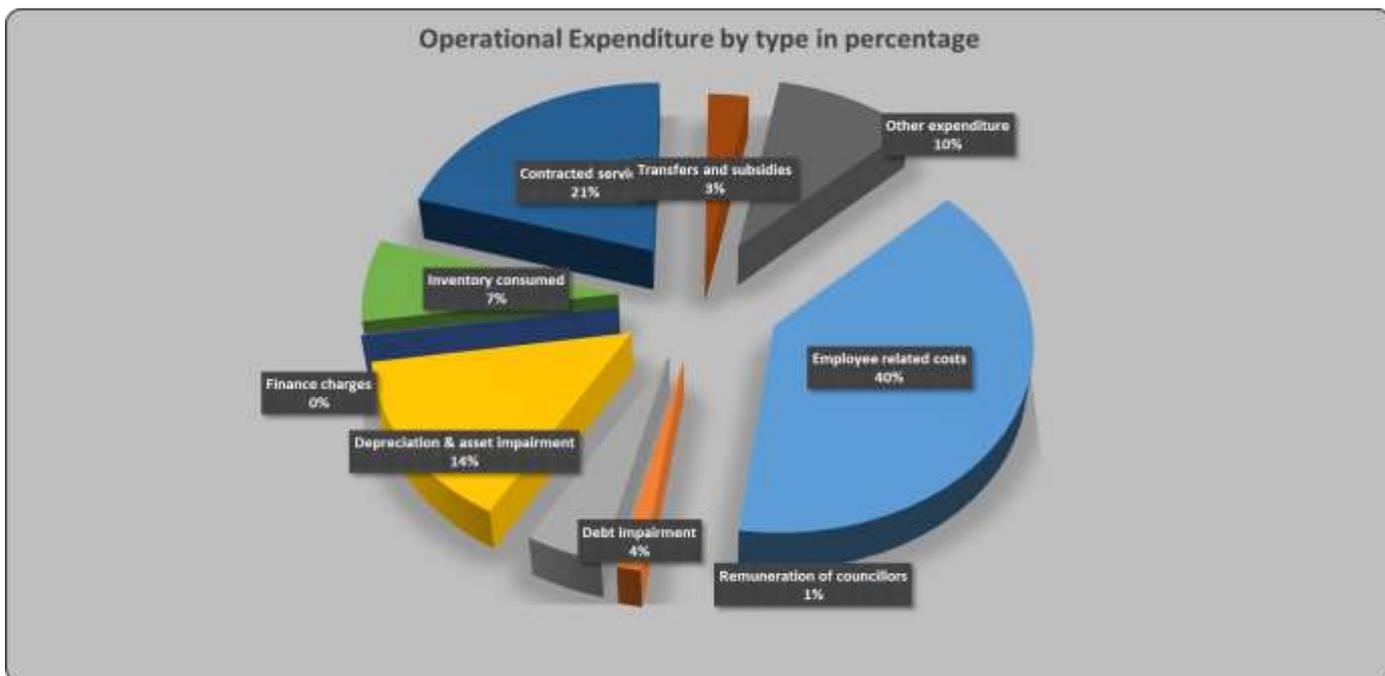
TABLE B3 ADJUSTMENT BUDGET FINANCIAL PERFORMANCE

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

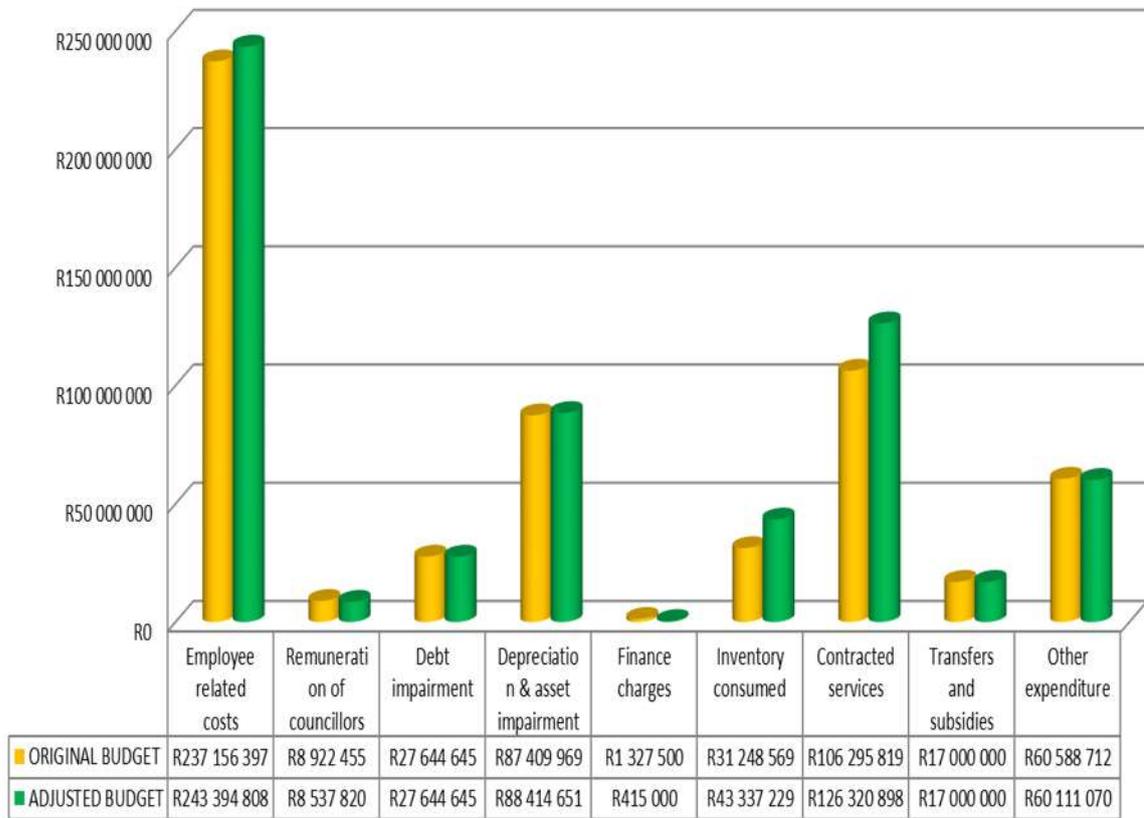
DC43 Harry Gwala - Table B3 Consolidated Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - 24/02/2022

Vote Description	Budget Year 2021/22						Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<i>[Insert departmental structure etc]</i>		3	7	8	9	10		
R thousands	A	A1	E	F	G	H		
Revenue by Vote								
Vote 01 - Summary Council	-	-	-	-	-	-	-	-
Vote 02 - Summary Municipal Manager	-	-	-	-	-	-	-	-
Vote 03 - Summary Budget And Treasury Office	404 553	404 553	-	(11 331)	(11 331)	393 222	429 229	433 781
Vote 04 - Summary Corporate Services	-	-	-	290	290	290	-	-
Vote 05 - Summary Social Services & Development Planning	22 412	22 412	-	(5 322)	(5 322)	17 090	25 955	26 235
Vote 06 - Summary Infrastructure Services	311 333	311 333	-	2 836	2 836	314 169	349 199	365 148
Vote 07 - Summary Water Services	63 218	67 218	-	33 831	33 831	101 049	67 011	71 032
Vote 15 - Other	-	-	-	-	-	-	-	-
Total Revenue by Vote	801 516	805 516	-	20 305	20 305	825 820	871 394	896 195
Expenditure by Vote								
Vote 01 - Summary Council	16 256	16 256	-	4 201	4 201	20 456	17 203	18 215
Vote 02 - Summary Municipal Manager	17 726	17 726	-	5 231	5 231	22 957	18 802	19 953
Vote 03 - Summary Budget And Treasury Office	85 267	85 267	-	(5 004)	(5 004)	80 264	89 833	94 713
Vote 04 - Summary Corporate Services	89 530	89 530	-	(9 280)	(9 280)	80 250	94 174	99 154
Vote 05 - Summary Social Services & Development Planning	68 717	68 717	-	(324)	(324)	68 393	77 472	79 919
Vote 06 - Summary Infrastructure Services	109 078	109 078	-	(6 004)	(6 004)	103 074	113 497	119 028
Vote 07 - Summary Water Services	191 021	191 021	-	47 762	47 762	238 782	202 016	213 836
Vote 15 - Other	-	-	-	-	-	-	-	-
Total Expenditure by Vote	577 594	577 594	-	36 582	36 582	614 176	612 998	644 819
Surplus/ (Deficit) for the year	223 922	227 922	-	(16 277)	(16 277)	211 644	258 397	251 375

Chart 3: Adjustment budget financial performance



OPERATIONAL EXPENDITURE BY TYPE



The graph above presents the adjustment budget expenditure by type.

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) - 24/02/2022								
Description	Budget Year 2021/22						Budget Year	Budget Year
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2022/23 Adjusted Budget	+2 2023/24 Adjusted Budget
		3	7	8	9	10		
R thousands	A	A1	E	F	G	H		
Revenue By Source								
Property rates	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	48 866	48 866	-	(1 244)	(1 244)	47 622	51 798	54 906
Service charges - sanitation revenue	20 555	20 555	-	(8 091)	(8 091)	12 465	21 789	23 096
Interest earned - external investments	5 682	5 682	-	(1 178)	(1 178)	4 504	6 018	6 290
Interest earned - outstanding debtors	10 198	10 198	-	517	517	10 715	10 810	11 459
Dividends received								
Fines, penalties and forfeits	-	-	-	-				
Licences and permits								
Agency services								
Transfers and subsidies	417 406	417 406	-	-		417 406	440 169	444 057
Other revenue	549	549	-	300	300	850	574	599
Gains	-	-	-	-				
Total Revenue (excluding capital transfers and contributions)	503 258	503 258	-	(9 695)	(9 695)	493 562	531 159	540 407
Expenditure By Type								
Employee related costs	237 156	237 156	-	6 238	6 238	243 395	252 896	269 738
Remuneration of councillors	8 922	8 922	-	(385)	(385)	8 538	9 547	10 215
Debt impairment	27 645	27 645	-	-		27 645	28 861	30 160
Depreciation & asset impairment	87 410	87 410	-	1 005	1 005	88 415	91 000	94 981
Finance charges	1 328	1 328	-	(913)	(913)	415	1 385	1 447
Bulk purchases - electricity	-	-	-	-				
Inventory consumed	31 249	31 249	-	12 089	12 089	43 337	32 610	34 064
Contracted services	105 296	106 296	-	20 025	20 025	126 321	110 111	114 923
Transfers and subsidies	17 000	17 000	-	-		17 000	20 000	20 000
Other expenditure	61 589	60 589	-	(478)	(478)	60 111	66 587	69 291
Losses	-	-	-	-				
Total Expenditure	577 594	577 594	-	37 582	37 582	615 176	612 998	644 819
Surplus/(Deficit)	(74 336)	(74 336)	-	(47 277)	(47 277)	(121 614)	(81 839)	(104 412)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	298 258	302 258	-	30 000	30 000	332 258	340 236	355 787
Transfers and subsidies - capital (in-kind - all)	-	-	-	-				
Surplus/(Deficit) before taxation	223 922	227 922	-	(17 277)	(17 277)	210 644	258 397	251 375
Taxation								
Surplus/(Deficit) after taxation	223 922	227 922	-	(17 277)	(17 277)	210 644	258 397	251 375
Attributable to minorities								
Surplus/(Deficit) attributable to municipality	223 922	227 922	-	(17 277)	(17 277)	210 644	258 397	251 375
Share of surplus/ (deficit) of associate								
Surplus/ (Deficit) for the year	223 922	227 922	-	(17 277)	(17 277)	210 644	258 397	251 375

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 - 24/02/2022

Description	Budget Year 2021/22						Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		5	9	10	11	12		
R thousands	A	A1	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	500	500	-	(500)	(500)	-	-	-
Vote 04 - Summary Corporate Services	4 031	4 031	-	4 044	4 044	8 075	4 945	5 163
Vote 05 - Summary Social Services & Development Planning	1 870	1 870	-	(1 243)	(1 243)	627	1 787	1 868
Vote 06 - Summary Infrastructure Services	16 300	16 300	-	(18 648)	(18 648)	(2 348)	20 000	20 000
Vote 07 - Summary Water Services	284 583	288 583	-	(15 315)	(15 315)	273 268	320 888	336 468
Vote 15 - Other	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	307 283	311 283	-	(31 662)	(31 662)	279 622	347 620	363 499
Total Capital Expenditure - Vote	307 283	311 283	-	(31 662)	(31 662)	279 622	347 620	363 499
Capital Expenditure - Functional								
Governance and administration	5 110	5 110	-	3 544	3 544	8 655	5 145	5 373
Executive and council								
Finance and administration	5 110	5 110	-	3 544	3 544	8 655	5 145	5 373
Internal audit								
Community and public safety	1 021	1 021	-	(973)	(973)	47	1 587	1 658
Community and social services	1 021	1 021	-	(973)	(973)	47	1 587	1 658
Sport and recreation								
Public safety								
Housing								
Health								
Economic and environmental services	1 270	1 270	-	(1 270)	(1 270)	-	-	-
Planning and development	1 270	1 270	-	(1 270)	(1 270)	-	-	-
Road transport								
Environmental protection								
Trading services	299 883	303 883	-	(32 963)	(32 963)	270 920	340 888	356 468
Energy sources								
Water management	244 033	248 033	-	(27 418)	(27 418)	220 614	293 888	300 468
Waste water management	55 850	55 850	-	(5 544)	(5 544)	50 306	47 000	56 000
Waste management								
Other								
Total Capital Expenditure - Functional	307 283	311 283	-	(31 662)	(31 662)	279 622	347 620	363 499
Funded by:								
National Government	298 258	298 258	-	(58 903)	(58 903)	239 355	340 236	355 787
Provincial Government	-	4 000	-	25 565	25 565	29 565	-	-
District Municipality	-	-	-	47	47	47	-	-
Transfers recognised - capital	298 258	302 258	-	(33 291)	(33 291)	268 967	340 236	355 787
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	9 025	9 025	-	1 629	1 629	10 655	7 384	7 712
Total Capital Funding	307 283	311 283	-	(31 662)	(31 662)	279 622	347 620	363 499

Chart 6: Capital Expenditure by Type



The capital budget has decreased from R311, 2million to R279, 6million. The municipality adjusted the projects downwards to exclude VAT whereas the original budget of R311, 2million was including VAT. Additional funds received from COGTA has been added to the capital budget. A downward adjustment amounting to R22, 9million has been made to cater for prior years retentions on MIG that were not cash backed when the expenditure was incurred. Historically, the municipality used to report retentions withheld on projects on cash basis i.e. when the actual payment is made

CAPEX: ORIGINAL BUDGET VS ADJUSTED BUDGET

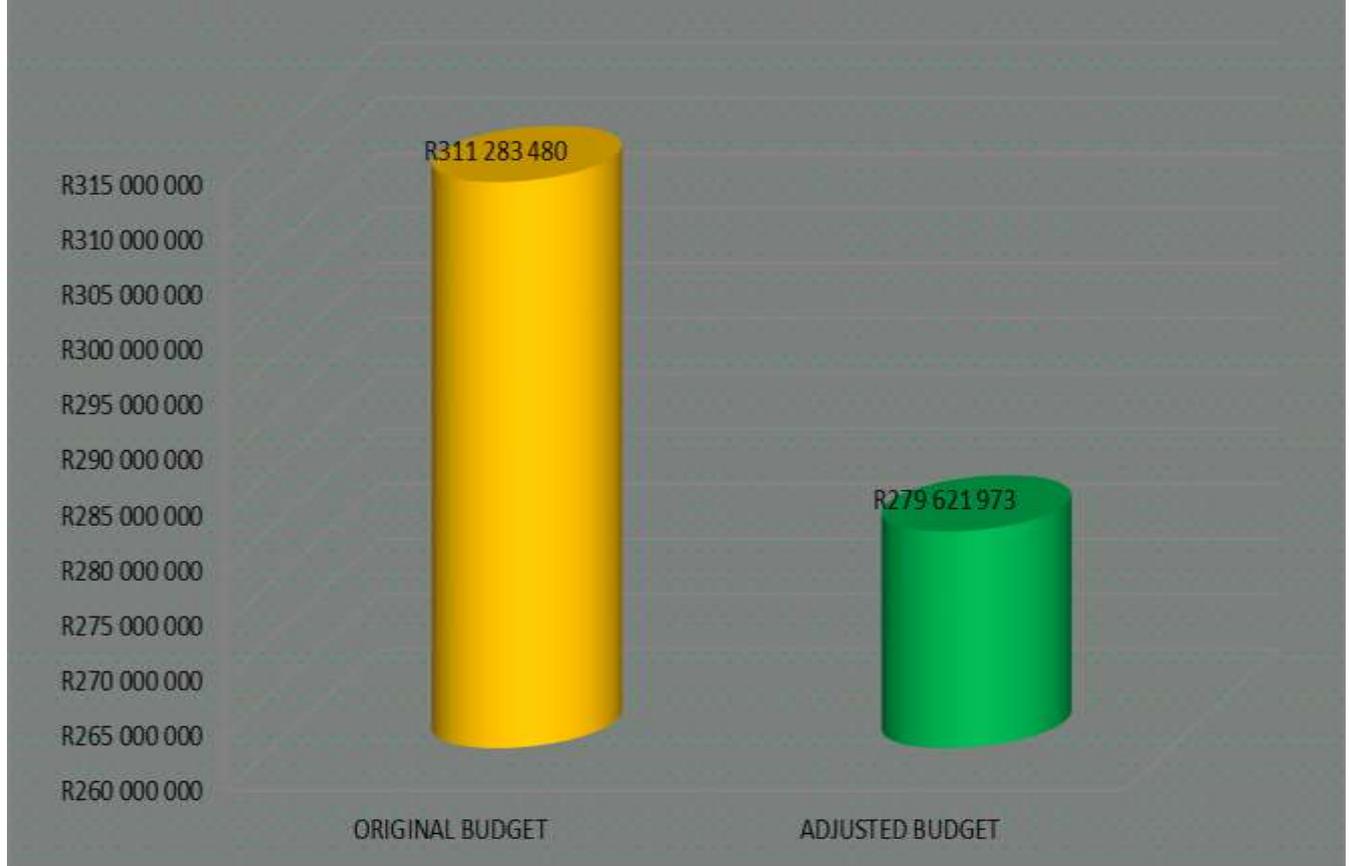


TABLE B6 ADJUSTMENTS BUDGET FINANCIAL POSITION

Table C6 displays the adjustment budget financial position of the municipality

DC43 Harry Gwala - Table B6 Consolidated Adjustments Budget Financial Position - 24/02/2022

Description	Budget Year 2021/22						Budget Year	Budget Year
	Original	Prior	Nat. or Prov.	Other	Total	Adjusted	Adjusted	
	Budget	Adjusted	Govt	Adjusts.	Adjusts.	Budget	Budget	
	3	7	8	9	10			
R thousands	A	A1	E	F	G	H		
ASSETS								
Current assets								
Cash	11 058	11 058	-	26 274	26 274	37 332	11 896	(4 574)
Call investment deposits	40 121	40 121	-	(18 085)	(18 085)	22 036	40 332	40 551
Consumer debtors	30 951	30 951	-	(2 794)	(2 794)	28 157	28 168	27 752
Other debtors	25 222	25 222	-	(7 130)	(7 130)	18 092	27 820	30 410
Inventory	267	267	-	141	141	408	278	289
Total current assets	107 619	107 619	-	(1 595)	(1 595)	106 024	108 494	94 428
Non current assets								
Property, plant and equipment	2 843 962	2 847 962	-	(105 606)	(105 606)	2 742 357	3 097 877	3 407 572
Biological						-	-	
Intangible	1 946	1 946	-	(1 123)	(1 123)	822	2 056	1 929
Other non-current assets	0	0	-	-	-	0	0	0
Total non current assets	2 845 908	2 849 908	-	(106 729)	(106 729)	2 743 179	3 099 933	3 409 502
TOTAL ASSETS	2 953 527	2 957 527	-	(108 324)	(108 324)	2 849 203	3 208 427	3 503 930
LIABILITIES								
Current liabilities								
Borrowing	-	(0)	-	13 194	13 194	13 194	-	-
Consumer deposits	2 155	2 155	-	27	27	2 182	2 304	2 447
Trade and other payables	91 336	91 336	-	2 869	2 869	94 205	83 121	75 012
Provisions	13 294	13 294	-	1 793	1 793	15 088	13 853	13 813
Total current liabilities	106 785	106 785	-	17 883	17 883	124 668	99 278	91 271
Non current liabilities								
Borrowing	1 878	1 878	-	(83)	(83)	1 796	146	-
Provisions	23 797	23 797	-	3 163	3 163	26 960	26 119	28 384
Total non current liabilities	25 676	25 676	-	3 080	3 080	28 756	26 265	28 384
TOTAL LIABILITIES	132 461	132 461	-	20 964	20 964	153 425	125 543	119 655
NET ASSETS	2 821 066	2 825 066	-	(129 288)	(129 288)	2 695 779	3 082 884	3 384 275
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)	2 821 066	2 825 066	-	(107 121)	(107 121)	2 717 945	3 082 884	3 384 275
Reserves	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2 821 066	2 825 066	-	(107 121)	(107 121)	2 717 945	3 082 884	3 384 275

TABLE B7 ADJUSTMENTS BUDGET CASH FLOWS

DC43 Harry Gwala - Table B7 Consolidated Adjustments Budget Cash Flows - 24/02/2022								
Description	Budget Year 2021/22						Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	3 A1	7 E	8 F	9 G	10 H		
R thousands								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates					-	-		
Service charges	53 905	53 905	-	4 499	4 499	58 404	56 959	60 197
Other revenue	549	549	-	53 514	53 514	54 064	574	599
Transfers and Subsidies - Operational	389 288	389 288	-	11 118	11 118	400 406	413 194	416 811
Transfers and Subsidies - Capital	303 580	303 580	-	28 678	28 678	332 258	346 011	361 833
Interest	5 592	5 592	-	(1 178)	(1 178)	4 414	5 838	6 101
Dividends					-	-		
Payments								
Suppliers and employees	(444 212)	(444 212)	-	(119 674)	(119 674)	(563 886)	(439 141)	(464 167)
Finance charges	(1 328)	(1 328)	-	913	913	(415)	(1 385)	(1 447)
Transfers and Grants	-	-	-	(135)	(135)	(135)	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	307 375	307 375	-	(22 265)	(22 265)	285 110	382 050	379 927
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	(307 283)	(307 283)	-	31 740	31 740	(275 544)	(347 620)	(363 499)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(307 283)	(307 283)	-	31 740	31 740	(275 544)	(347 620)	(363 499)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans					-	-		
Borrowing long term/refinancing					-	-		
Increase (decrease) in consumer deposits	(122)	(2 155)	-	(27)	(27)	(2 061)	(122)	(143)
Payments								
Repayment of borrowing					-	-		
NET CASH FROM/(USED) FINANCING ACTIVITIES	(122)	(2 155)	-	(27)	(27)	(2 061)	(122)	(143)
NET INCREASE/ (DECREASE) IN CASH HELD	(30)	(2 063)	-	9 447	9 447	7 505	34 308	16 285
Cash/cash equivalents at the year begin:	48 731	48 731	-	3 131	3 131	51 862	51 179	50 897
Cash/cash equivalents at the year end:	48 701	46 668	-	12 579	12 579	59 368	85 488	67 182

TABLE B8 CASH BACKED RESERVES / ACCUMULATED SURPLUS RECONCILIATION

DC43 Harry Gwala - Table B8 Consolidated Cash backed reserves/accumulated surplus reconciliation - 24/02/2022								
Description	Budget Year 2021/22						Budget Year +1 2022/23	Budget Year +2 2023/24
	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		
Cash and investments available								
Cash/cash equivalents at the year end	48 701	46 668	-	12 579	12 579	59 246	85 488	67 182
Other current investments > 90 days	2 478	4 512	-	(4 390)	(4 390)	122	(33 260)	(31 206)
Non current assets - Investments	-	-	-	-	-	-	-	-
Cash and investments available:	51 179	51 179	-	8 188	8 188	59 368	52 228	35 977
Applications of cash and investments								
Unspent conditional transfers	-	-	-	(0)	(0)	(0)	-	-
Unspent borrowing					-	-		
Statutory requirements	(52 989)	-	-	45 000	45 000	(7 989)	(58 316)	(58 542)
Other working capital requirements	59 118	59 118		6 840	6 840	65 959	50 967	43 214
Other provisions					-	-		
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-
Total Application of cash and investments:	6 130	59 118	-	51 840	51 840	57 970	(7 348)	(15 328)
Surplus(shortfall)	45 050	(7 939)	-	(43 652)	(43 652)	1 398	59 576	51 305

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.

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 93%) 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.

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 - 24/02/2022									
Description	Budget Year 2021/22							Budget Year +1 2022/23	Budget Year +2 2023/24
	Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	7	8	9	10	11	12		
	A	A1	B	C	D	E	F		
RECEIPTS:									
Operating Transfers and Grants									
National Government:	400 406	400 406	-	-	-	-	400 406	420 169	424 057
Local Government Equitable Share									
Equitable Share	387 013	387 013	-	-	-	-	387 013	410 807	414 421
Expanded Public Works Programme Integrated Grant	4 596	4 596	-	-	-	-	4 596	-	-
Integrated National Electrification Programme Grant	-	-	-	-	-	-	-	-	-
Local Government Financial Management Grant	1 200	1 200	-	-	-	-	1 200	1 200	1 200
Municipal Disaster Relief Grant	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	5 322	5 322	-	-	-	-	5 322	5 775	6 046
Rural Road Asset Management Systems Grant	2 275	2 275	-	-	-	-	2 275	2 387	2 390
Water Services Infrastructure Grant	-	-	-	-	-	-	-	-	-
Provincial Government:	-	-	-	-	-	-	-	-	-
Capacity Building and Other Grants	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Rural Development Grant	-	-	-	-	-	-	-	-	-
District Municipality:	17 000	17 000	-	-	-	-	17 000	20 000	20 000
<i>Specify (Add grant description)</i>	17 000	17 000	-	-	-	-	17 000	20 000	20 000
Other grant providers:	-	-	-	-	-	-	-	-	-
<i>Chemical Industry Seta</i>	-	-	-	-	-	-	-	-	-
<i>Parent Municipality</i>	-	-	-	-	-	-	-	-	-
<i>Unspecified</i>	-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	417 406	417 406	-	-	-	-	417 406	440 169	444 057
Capital Transfers and Grants									
National Government:	298 258	298 258	-	-	-	-	298 258	340 236	355 787
Equitable Share	-	-	-	-	-	-	-	-	-
Integrated National Electrification Programme Grant	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	207 558	207 558	-	-	-	-	207 558	225 236	235 787
Neighbourhood Development Partnership Grant	-	-	-	-	-	-	-	-	-
Regional Bulk Infrastructure Grant	-	-	-	-	-	-	-	20 000	20 000
Rural Road Asset Management Systems Grant	-	-	-	-	-	-	-	-	-
Water Services Infrastructure Grant	90 700	90 700	-	-	-	-	90 700	95 000	100 000
Provincial Government:	-	4 000	-	-	30 000	30 000	34 000	-	-
Infrastructure Grant	-	4 000	-	-	30 000	30 000	34 000	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
<i>Specify (Add grant description)</i>	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>	-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	298 258	302 258	-	-	30 000	30 000	332 258	340 236	355 787
TOTAL RECEIPTS OF TRANSFERS & GRANTS	715 664	719 664	-	-	30 000	30 000	749 664	780 405	799 844

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

- National Government R 417, 4million

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

- National Government R 400, 4million

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

- National Government R 298, 2million
- Provincial Government R 34million

2.3 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 25 February 2022