

# Senqu Municipality

## Adjustment Budget 2019/20 – 2021/22

Adjusted Medium Term Revenue  
and Expenditure Framework



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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.

**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.

**Equitable Share** - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**IDP** - Integrated Development Plan. The main strategic planning document of the Municipality

**MFMA** - The Municipal Finance Management Act - No. 53 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.

**Net Assets** - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**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.

**Vote** - One of the main segments of a budget. In Senqu Municipality this means at function level.

# **PART 1 - ANNUAL BUDGET**

## **Section 1 - Mayor's Report**

It is with great pleasure that I present the 2019/2020 Adjustment Budget to the Council for approval.

The municipality has yet again given a good account of itself in respect of good governance and internal financial controls by receiving a clean audit in 2018/19. The municipality has received a clean audit for 6 years in a row and is the only municipality in the Eastern Cape to achieve this. This consistent performance ought to be cherished, especially at a time when municipalities are facing governance difficulties, and I would like to thank my fellow Councillors and the staff involved in this achievement.

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 adjustments tabled today is as a result of a review of the revenue and expenditure for the first six months of the year as well as changes to the budget structure.

The main adjustments proposed in this adjustment budget are included in this section of the report.

## Operating Budget

### Operating Revenue (Including Capital Transfers)

Adjustments to revenue can be summarised as follows (R'000):

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Revenue By Source</u></b>					
Property rates	8 536	–	8 536	9 048	9 591
Service charges - electricity revenue	40 911	–	40 911	43 365	45 967
Service charges - refuse revenue	9 647	–	9 647	10 226	10 840
Rental of facilities and equipment	116	–	116	123	131
Interest earned - external investments	16 500	1 500	18 000	16 854	17 865
Interest earned - outstanding debtors	2 402	–	2 402	2 546	2 699
Fines, penalties and forfeits	168	(1)	167	177	187
Licences and permits	1 189	–	1 189	1 260	1 335
Agency services	999	–	999	1 059	1 123
Transfers and subsidies	157 443	–	157 443	163 775	173 392
Other revenue	1 857	–	1 857	1 968	2 086
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>239 767</b>	<b>1 499</b>	<b>241 266</b>	<b>250 402</b>	<b>265 216</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	39 761	523	40 284	42 858	46 518
<b>Total Revenue</b>	<b>279 528</b>	<b>2 022</b>	<b>281 550</b>	<b>293 259</b>	<b>311 734</b>

Material adjustments are briefly discussed below:

#### Interest earned - external investments

There was a R1 500 000 upward adjustment on Interest earned based on the current actual trends for the first 6 months of the financial year.

#### Transfers Recognised - Capital

Revenue relating to Capital grants were increased by R523 000. This increase was due to the Integrated National Electrification Grant (DoE) unspent funding that rolled over from 30 June 2019 and were included in the grant expenditure program.

## Operating Expenditure

Adjustments to expenditure can be summarised as follows (R'000):

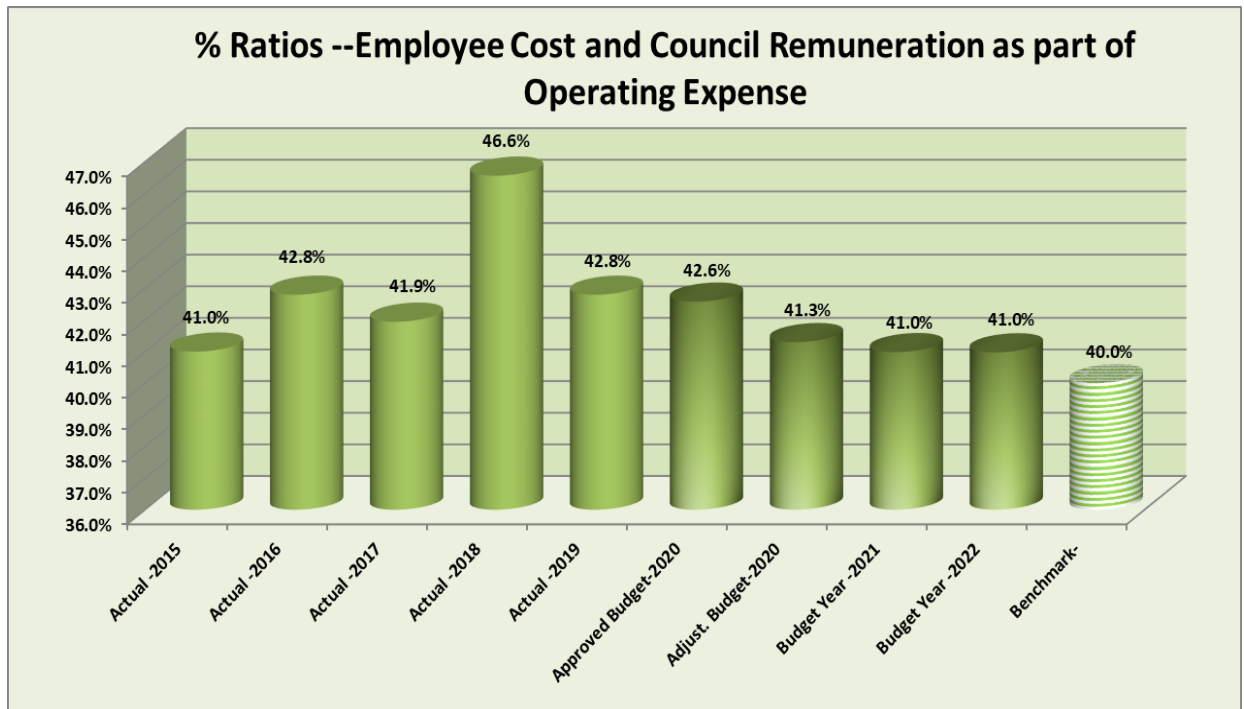
Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Expenditure By Type</u></b>					
Employee related costs	88 932	2 054	90 986	96 272	101 429
Remuneration of councillors	13 522	–	13 522	14 225	14 964
Debt impairment	7 500	–	7 500	11 134	11 713
Depreciation & asset impairment	21 058	–	21 058	22 153	23 305
Finance charges	3 133	–	3 133	3 304	3 628
Bulk purchases	36 750	–	36 750	38 661	40 671
Other materials	14 511	267	14 777	15 542	16 350
Contracted services	35 505	(1 781)	33 724	36 749	38 726
Transfers and subsidies	909	(300)	609	640	674
Other expenditure	29 774	1 215	30 989	30 937	32 591
<b>Total Expenditure</b>	<b>251 594</b>	<b>1 455</b>	<b>253 049</b>	<b>269 618</b>	<b>284 053</b>

Material adjustments are briefly discussed below:

### Employee related costs

Employee related cost is one of the main cost drivers in any municipality. Senqu Municipality is no exception and therefore one should always investigate possible strategies to curb this expenditure line item where possible.

The increase of R2,05m proposed in the current budget is due to the leave benefits that was not provided for in the original budget for 2019/20. The expenditure on this line item is still towards the upper limits of the industry norms as depicted in the following graph:



The industry norm for Employee Related Cost and Remuneration of Councillors as percentage of Total expenditure is between 25% and 40%.

#### Other materials

Other materials increased with R266 816 for 2019/20. This increase was mainly due to additional funding needed for materials for maintenance projects in the municipality.

#### Contracted services

Contracted Services decreased with R1,78 million for 2019/20. This downward adjustment can mainly be attributed to cost savings with the municipality paying special attention to cost containment measures as per the Cost Containment Regulations that was issued on 07 June 2019.

#### Transfers and subsidies

Transfers and subsidies decreased with R300 000 for 2018/19 as part of the implementation of cost containment measures.

#### Other expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality (including repairs and maintenance). Based on current and previous actual trends, the full year forecast for the various line items under other expenditure were adjusted upwards by R1,22 million. The detail of this upward adjustment are disclosed in table SB1 of the budget schedules.



The cost associated with indigent subsidies amounts to R12,08 million in 2019/20 and increases to R12,73 million and R13,40 million in the 2 outer years respectively. These figures are disclosed under operating expenditure projects and include items such as Bulk purchases, Contracted services, Other materials and Other expenditure in table A4 of the budget schedules. This does not include the Property rates rebate and the 50 kWh electricity provided to indigents. These amounts are disclosed in table B10 of the budget schedules.

## **Capital Budget**

Adjustments to the capital budget can be summarised as follows (R'000):

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b>CAPITAL EXPENDITURE</b>					
Roads Infrastructure	30 979	(4 080)	26 899	18 340	17 820
Electrical Infrastructure	4 900	673	5 573	6 677	7 275
Solid Waste Infrastructure	19 574	(2 101)	17 473	8 227	–
Infrastructure	55 453	(5 508)	49 945	33 244	25 095
Community Facilities	7 507	(3 421)	4 086	25 500	40 400
Sport and Recreation Facilities	2 216	(2 005)	211	–	2 100
Community Assets	9 723	(5 426)	4 297	25 500	42 500
Operational Buildings	14 101	(2 031)	12 070	925	868
Other Assets	14 101	(2 031)	12 070	925	868
Licences and Rights	69	20	89	72	76
Intangible Assets	69	20	89	72	76
Computer Equipment	1 057	–	1 057	908	575
Furniture and Office Equipment	230	(34)	196	242	255
Machinery and Equipment	2 018	(301)	1 717	6 563	316
Transport Assets	3 100	(228)	2 872	2 371	759
<b>TOTAL CAPITAL EXPENDITURE to be adjusted</b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>

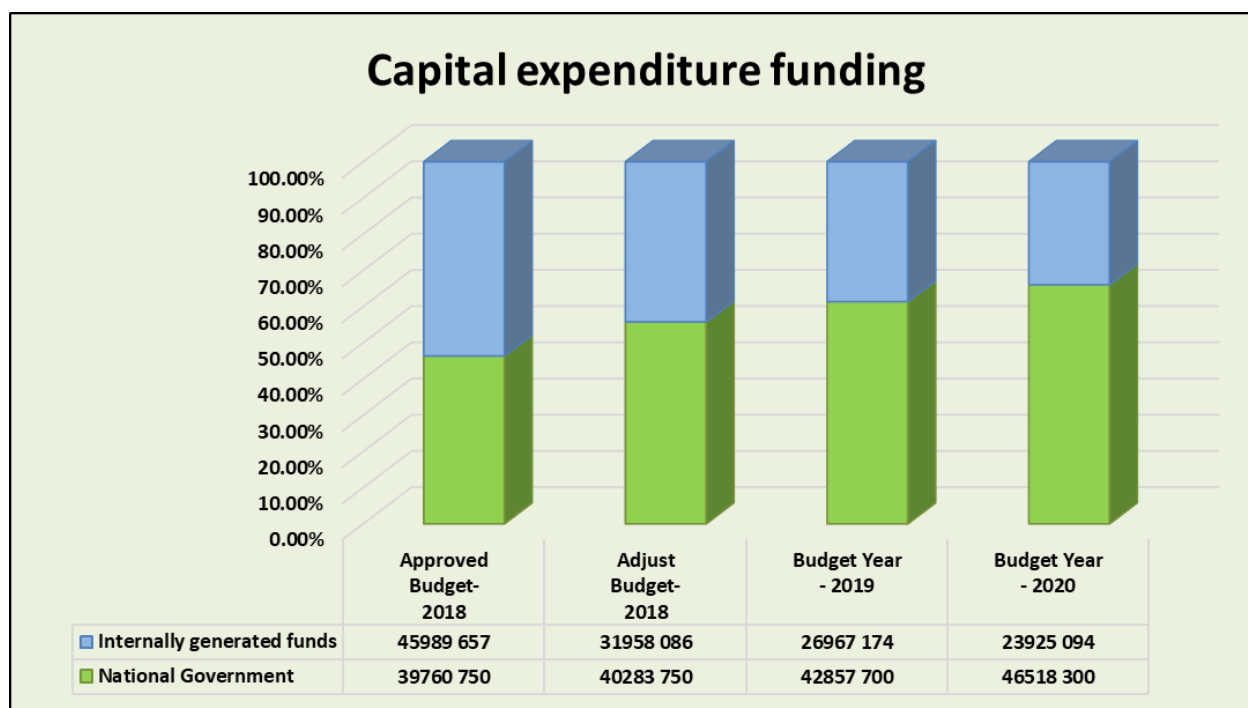
The nett effect of all the adjustments on the capital budget amounted to a decrease of R13,51m. This decrease is mainly the result of the following items:

- 1) An increase of R2,39m for the Upgrading of Municipal Office in Lady Grey project. Funds from 2020/21 were allocated to 2019/20 as this multi-year project will be completed in the current year;
- 2) The Driving Licence and Testing Centre in Sterkspruit project decreased with R3,75m due to delays in the tender processes;
- 3) The Construction of Gravel Road with Storm water control Ward 2 project decreased with R3,64m as funds were allocated to the 2020/21 year;
- 4) Funds for the Renovations of the Barkly East Town Hall project rolled over to 2020/21 and thus the decrease of R3,5m for the current year;

- 5) Kwezi Naledi Sportsfields Fence project were postponed due to in-house capacity constraints and therefore the decrease of R2m on this project;
- 6) The current expenditure trends indicated a decrease of R1m for the Pre-Paid Electricity Meters project;
- 7) An additional R1,77m was allocated to DOE Projects - Rural Connections which partly rolled over from the 2018/19 financial year and will be partially funded by the approved DOE rollover funds;
- 8) The Solid Waste Site in Sterkspruit project decreased with R4,2m as funds were allocated to the 2020/2021 financial year;
- 9) The expected expenditure trends according to engineers estimates indicated an upward adjustment of R1,37m for the Upgrading of Existing Solid Waste Site in Barkly East;
- 10) A decrease of R2,28m for the Upgrading of Existing Solid Waste Site in Lady Grey due to delays in the project. Additional funds were allocated to the 2020/2021 financial year for the completion of this project;
- 11) An amount of R2,20m was provided for the Rehabilitation of old Sterkspruit Solid Waste Site for the 2019/2020 financial year.

The expected investment in infrastructure remains high, to such an extent that current cash flows cannot sustain it and are we forced to utilise previously accumulated cash reserves to fund part of the projects. Out of our total capital expenditure of R72,24m for 2019/2020, R31,96m is funded by way of internally generated funds. However, the municipality believes it is strategically important to invest timely in infrastructure to cater for the need to extend service delivery across the region. Repairs and Maintenance must be prioritised in future budgets to ensure sustainable service delivery.

The revised forecasted capital expenditure can be summarised as follows:



## Funding and Cash flows

The budget indicates a net cash outflow of R23,61m after capital expenditure of R72,24m has been incurred. Non-cash items such as the Provision for debt impairment of R7,50m and depreciation and asset impairment of R21,06m have been taken into account.

The expected Cash flows for the MTREF period are as follows - R,000

Source	2019/2020 Original Budget	2019/2020 Adjustments Budget	2020/2021 Budget	2021/2022 Budget
Generated Operating inflows	53 897	49 397	51 840	57 277
Net Financing outflows	(773)	(760)	(767)	(777)
<b>Net cash inflows</b>	<b>53 124</b>	<b>48 637</b>	<b>51 073</b>	<b>56 500</b>
Outflows - Investment in Assets	(85 750)	(72 242)	(69 825)	(70 443)
<b>Net inflows / (outflows)</b>	<b>(32 626)</b>	<b>(23 605)</b>	<b>(18 752)</b>	<b>(13 944)</b>

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. From the table below it can be seen that the cash and investments available over the MTREF will be sufficient to cover all commitments.

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Cash and investments available</u></b>					
Cash/cash equivalents at the year end	232 556	56 935	289 490	270 738	256 795
<b>Cash and investments available:</b>	<b>232 556</b>	<b>56 935</b>	<b>289 490</b>	<b>270 738</b>	<b>256 795</b>
<b><u>Applications of cash and investments</u></b>					
Unspent conditional transfers	10 203	2 562	12 766	12 766	12 766
Other working capital requirements	(9 225)	5 853	(3 372)	(1 580)	295
Other provisions	13 203	732	13 936	15 347	16 809
Reserves to be backed by cash/investments	207 268	23 714	230 981	230 350	222 579
<b>Total Application of cash and investments:</b>	<b>221 449</b>	<b>32 862</b>	<b>254 311</b>	<b>256 882</b>	<b>252 449</b>
<b>Surplus(shortfall)</b>	<b>11 106</b>	<b>24 073</b>	<b>35 179</b>	<b>13 856</b>	<b>4 346</b>

### **Unforeseen and unavoidable expenditure**

There was no unforeseen expenditure approved by the Mayor and incorporated into this adjustment budget since the original approved budget.

### **Changes to allocations and grant adjustments**

Changes to allocations and grant adjustments are reflected in the budget supporting documentation forms SB7 and SB8.

As stated previously in the report, the adjustment made to grant allocations was due to unspent DOE funding of R523 000 that rolled over from 30 June 2019 and was included in the grant expenditure program after approval by National Treasury.

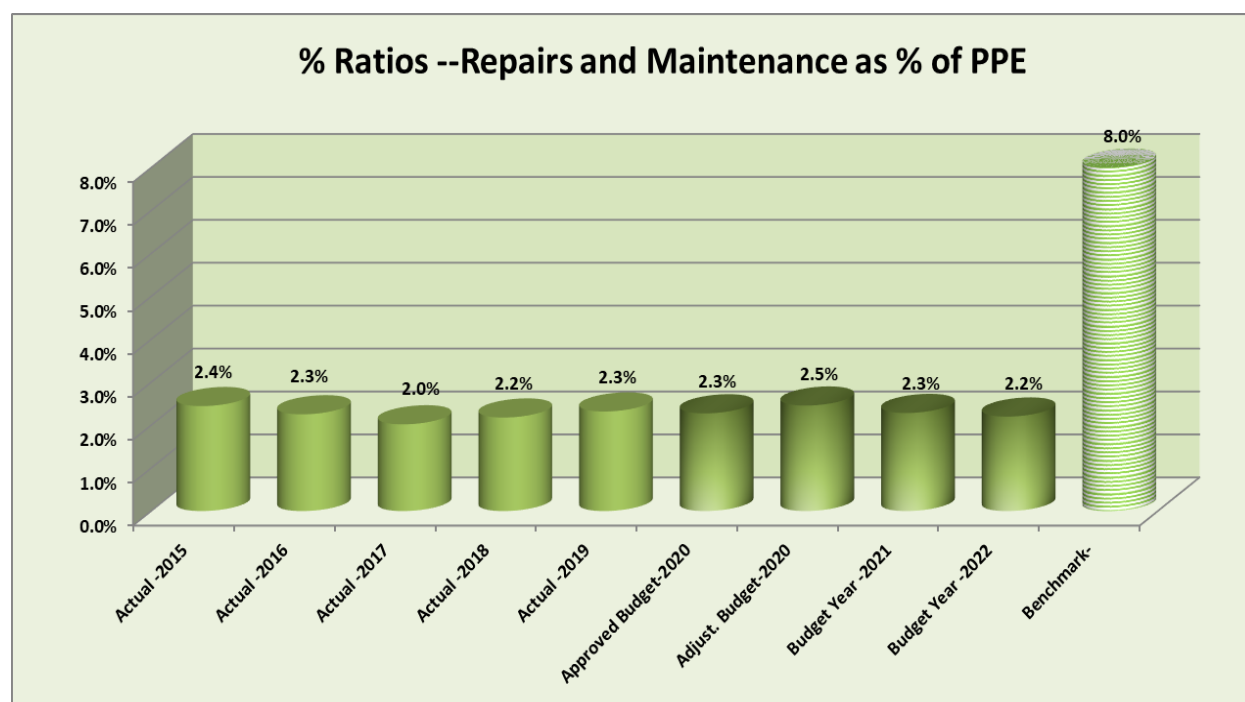
Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b>EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:</b>					
<u>Operating expenditure of Transfers and Grants</u>					
<b>National Government:</b>	<b>155 943</b>	<b>–</b>	<b>155 943</b>	<b>162 275</b>	<b>171 830</b>
Local Government Equitable Share	142 681	–	142 681	150 953	160 000
Finance Management	1 700	–	1 700	1 700	1 700
Nat Gov: Councillor Remuneration	7 254	–	7 254	7 597	7 959
Municipal Infrastructure Grant (MIG)	1 924	–	1 924	2 025	2 171
Nat Gov: EPWP Incentive Grant	2 384	–	2 384	–	–
<b>Provincial Government:</b>	<b>1 500</b>	<b>–</b>	<b>1 500</b>	<b>1 500</b>	<b>1 562</b>
Libraries	1 500	–	1 500	1 500	1 562
<b>Total operating expenditure of Transfers and Grants:</b>	<b>157 443</b>	<b>–</b>	<b>157 443</b>	<b>163 775</b>	<b>173 392</b>
<u>Capital expenditure of Transfers and Grants</u>					
<b>National Government:</b>	<b>39 761</b>	<b>523</b>	<b>40 284</b>	<b>42 858</b>	<b>46 518</b>
Municipal Infrastructure Grant (MIG)	36 561	–	36 561	38 481	41 243
Integrated National Electrification Programme	3 200	523	3 723	4 377	5 275
<b>Total capital expenditure of Transfers and Grants</b>	<b>39 761</b>	<b>523</b>	<b>40 284</b>	<b>42 858</b>	<b>46 518</b>
<b>Total capital expenditure of Transfers and Grants</b>	<b>197 204</b>	<b>523</b>	<b>197 727</b>	<b>206 633</b>	<b>219 910</b>

As can be seen from the table above, the municipality is to a very large degree dependent on grants (Equitable share) to sustain the budget (please note that a portion of the Equitable share grant as per Dora is allocated to “Nat Gov: Councillor Remuneration” grant). Approximately 50% of the revenue basket can be attributed to equitable share. This, together with the lower percentage for rates and service charge revenues, is an indication of the high unemployment rate in the area and the focus on job creation projects were therefore treated as a priority in this budget.

## Asset management

National Treasury observed that budget appropriations for asset renewal as part of the capital program and operational repairs and maintenance of existing asset infrastructure is still not receiving adequate priority by municipalities, regardless of guidance supplied in previous Budget Circulars. Asset management is a strategic imperative for any municipality and needs to be prioritised as a spending objective in the budget of municipalities.

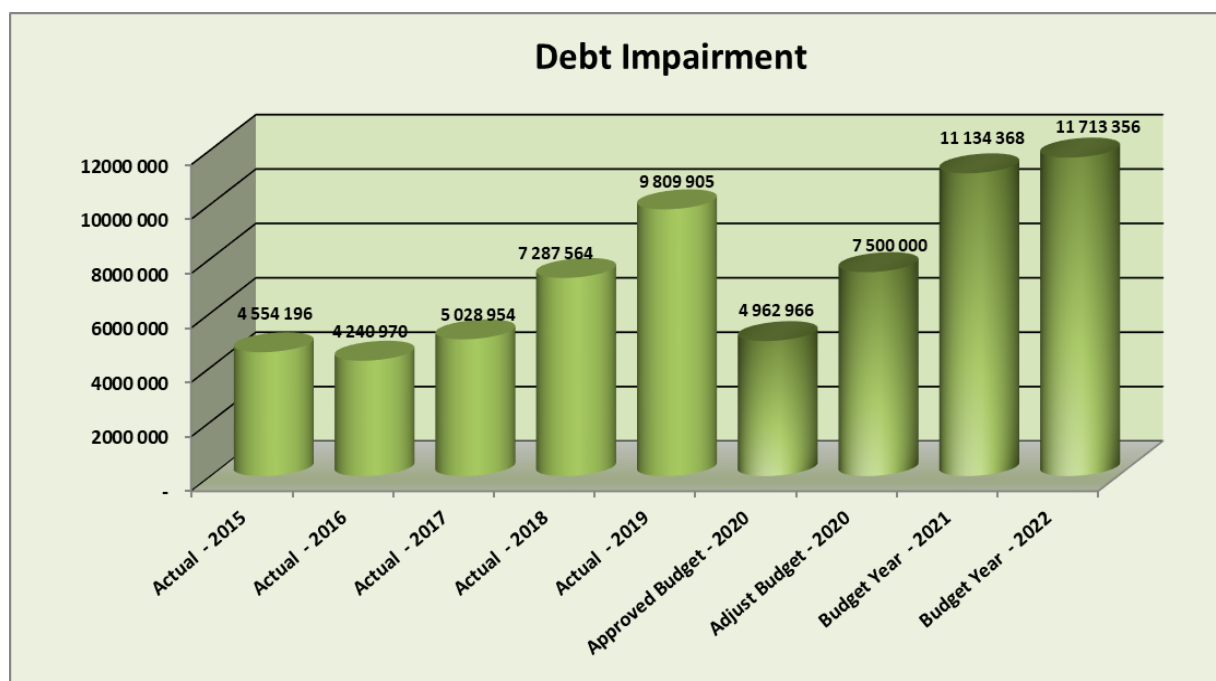
The expenditure on repairs and maintenance is well below acceptable levels, as illustrated in the graph below. It should however be noted that the municipality is currently not allocating items such as employee related cost utilized in repairs and maintenance projects to the repairs and maintenance line items. This is mainly due to a lack of a costing system to provide for such allocations. It is anticipated that the full implementation of mSCOA will correct this deficiency.



## **Debtors Management**

Although the municipality applies strict credit control measures, it is also aware of the current negative economic climate and the effect on the local economy. To this end the municipality has an appropriate credit control and debt collection policy which guides the credit control measures, but also includes an appropriate write-off policy.

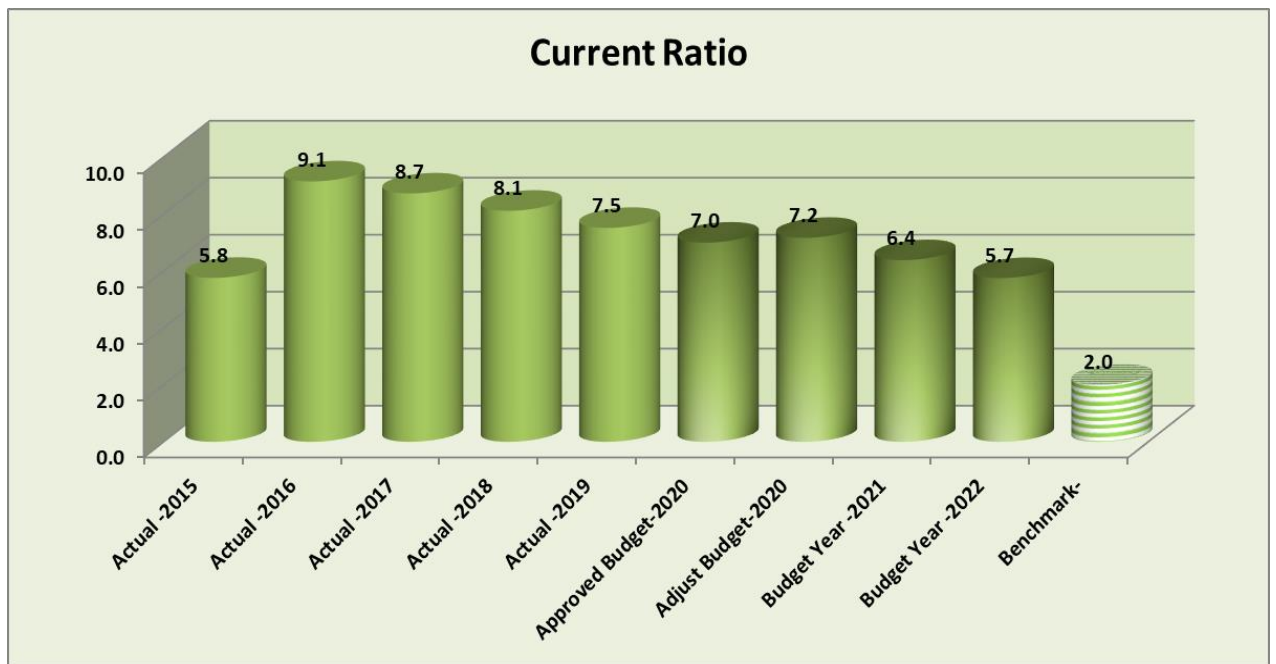
An amount of R7,5m has been budgeted for bad debts which increases to R11,71m over the MTREF. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.



With Council support, the municipality is implementing a revenue enhancement strategy to ensure the financial sustainability of the municipality. We are confident that our debt collection measures will not necessitate this amount for Debt Impairment at year end, but we would rather budget conservatively than finding ourselves with cash flow problems at the end. This, again, is indicative of our approach to financial management.

### Liquidity management

The Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2, hence at no point in time should this ratio be less than 2.



The municipality's net current asset position is depicted above, which shows that the municipality is in a healthy financial position. There is however a decline over the MTREF as a result of the declining cash resources at the Senqu Municipality. This could significantly impact on the long term sustainability of the entity.

### **Financial Viability and Sustainability**

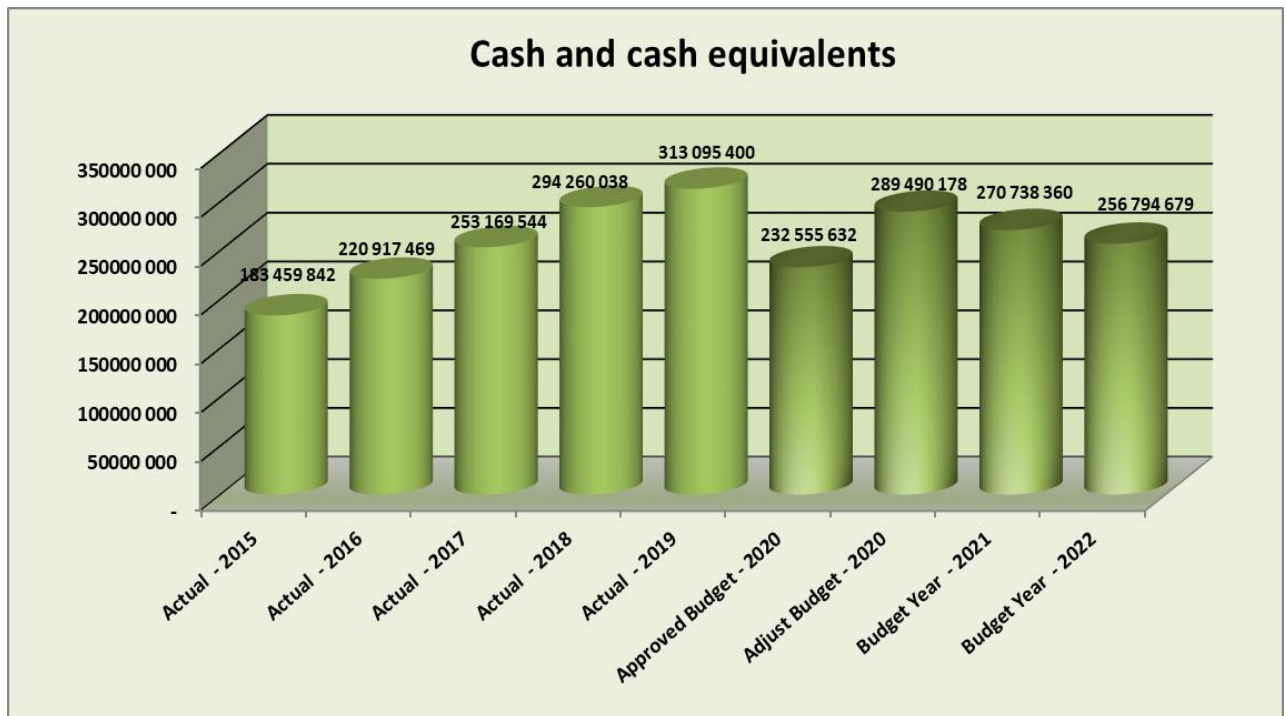
The financial well-being and threats directly affecting the financial sustainability of municipalities have been a very topical issue in recent times. Issues such as unemployment and high energy and other costs negatively impacts on the sustainability of municipalities. These Macro-Economic issues is largely beyond the control of the municipalities. For this reason, municipalities should as far possible take control of issues it can directly manage (such as the implementation of cost containment measures and increasing the effectiveness of debt collection policies and strategies) to optimise productivity levels within the municipality.

Financial sustainability and viability of the municipality is thus very much dependent on its ability to preserve its cash resources, which is considered to be a scarce commodity in the current economic environment.

The projected balance of the cash and cash equivalents increased from R232,56m to R289,49m, as a result of an adjustment of R56,94m in the opening balance carried forward from the prior financial year.

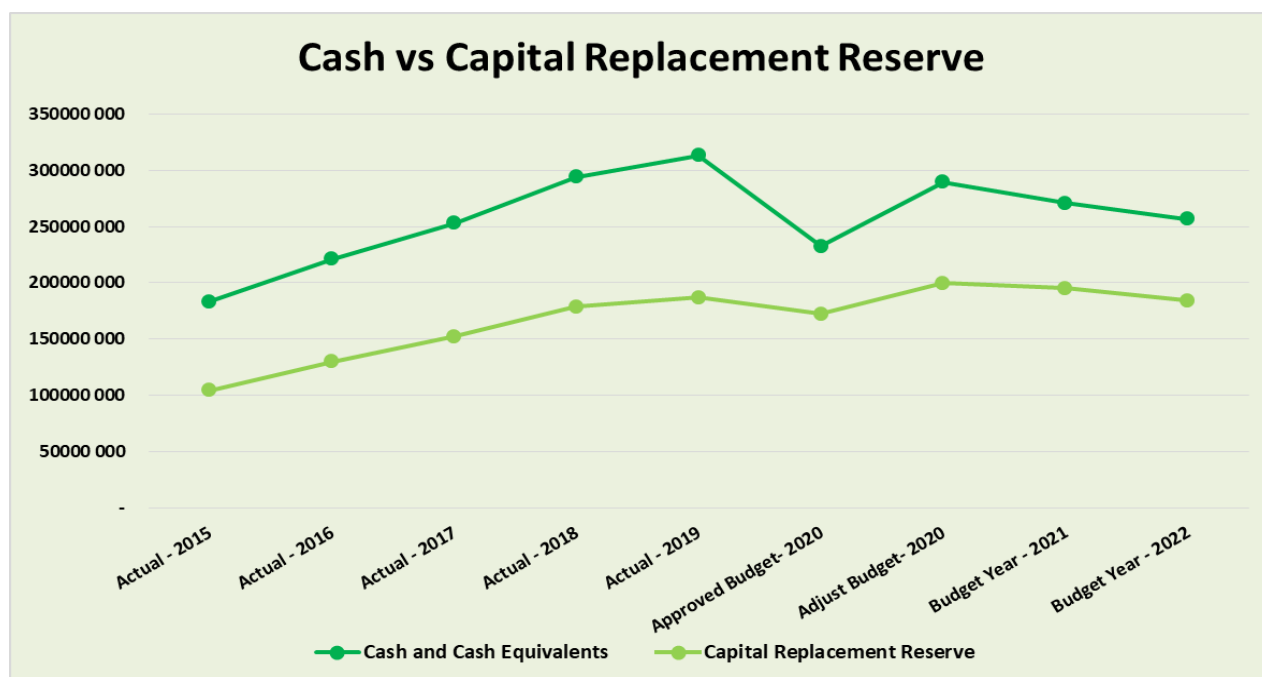


The forecast is as follows:



I am especially pleased to report that the municipality's cash position is sufficient to cover the requirements of the Funding and Reserves Policy, with the Employee Benefits Reserve being fully funded (R29,99m) as well as a Valuation Roll Reserve of R1,25m. In line with the policy the contribution to-and balance of the Capital Replacement Reserve is also sufficiently funded to the amount of R199,86m. Included in Reserves is also the Revaluation Reserve of R64,62m which is not cash funded.

The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is achieving this objective while also maintaining a balance on the Capital Replacement Reserve to a level where future external funding, excluding grants, be minimised.



Municipalities should as far possible approve budgets that are within their financial constraints. In other words, projected capital and operating expenditure should be financed from projected future revenue streams, thus eliminating the need to utilise accumulated funds from previous years. Currently, although still a funded budget, the proposed budget will have a negative impact on the projected cash position of the municipality as indicated in the graph above.

This downward trend can mainly be attributed to the inability of the municipal budget to produce adequate cash resources to meet the proposed capital and operating program of the municipality.

## **Recommendations**

It is recommended:

- 1) that the Council approves the adjustments budget and take the resolutions listed in Section 2 below; and
- 2) That the Council approves the changes to the service delivery and budget implementation plan.

## Section 2 - Budget Related Resolutions

Senqu Municipality

MTREF 2019/2020

These are the resolutions that must be approved by Council with the final adoption of the adjustments budget:

RESOLVED:

[a]. That the adjustments budget, inclusive of changes in terms of section 28(2) of the MFMA, of Senqu Municipality for the financial year 2019/2020; and indicative for the two projected years 2020/21 and 2021/22, as set-out in the schedules contained in Section 4, be approved:

1.1 Table B2: Budgeted Financial Performance (expenditure by standard classification)

1.2 Table B3: Budgeted Financial Performance (expenditure by municipal vote)

1.3 Table B4: Budgeted Financial Performance (revenue by source)

1.4 Table B5: Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding.

[b]. That the amended performance objectives as contained in the SDBIP be approved (Attached supporting documentation form SB 3).

[c]. That it be noted that there are no changes to any budget related policies.

## Section 3 - Executive Summary

### Introduction

Strict financial control is the key to success of any entity or company operating in the current economic environment. With consumers already struggling to come to terms with the sharp increases in food, travel and accommodation costs, the municipality is left with little room to increase rates and other tariffs to finance its planned operating and capital program. Where possible, the municipality should always investigate the possibilities to cut back on expenditure to ensure that tariffs and taxes remain affordable.

### Effect of the adjustment budget

A key consideration for the compilation of the adjustments budget was long term financial sustainability and ensuring continued service delivery and improved service delivery. In addition, the Council planned and budgeted for the extension of services to areas not sufficiently serviced in the past as well as redirecting funds for capital projects in order to complete projects where costs increased over the period of time.

The new projected forecasts for the MTREF are as follows:

#### **OPERATING BUDGET (R'000)**

Type	2019/2020 Original Budget	2019/2020 Adjustments Budget	2020/2021 Budget	2021/2022 Budget
Revenue	279 528	281 550	293 259	311 734
Expenditure	251 594	253 049	269 618	284 053
<b>Surplus/(Deficit)</b>	<b>27 934</b>	<b>28 501</b>	<b>23 641</b>	<b>27 681</b>
Less: Capital Grants	(39 761)	(40 284)	(42 858)	(46 518)
<b>Deficit excluding capital grants</b>	<b>(11 826)</b>	<b>(11 782)</b>	<b>(19 216)</b>	<b>(18 837)</b>

**CAPITAL BUDGET (R'000)**

<b>Objective</b>	<b>2019/2020 Original Budget</b>	<b>2019/2020 Adjustments Budget</b>	<b>2020/2021 Budget</b>	<b>2021/2022 Budget</b>
Governance and Admin	12 260	13 965	1 886	1 605
Community and Safety Services	10 073	4 547	25 900	42 500
Economic Services	36 532	28 462	18 626	18 015
Trading Services	26 886	25 268	23 413	8 324
<b>Total</b>	<b>85 750</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>

The projected funding of the capital budget is as follows: (R 000)

<b>Funding Source</b>	<b>2019/2020 Original Budget</b>	<b>2019/2020 Adjustments Budget</b>	<b>2020/2021 Budget</b>	<b>2021/2022 Budget</b>
National Government	39 761	40 284	42 858	46 518
Own Funds	45 990	31 958	26 967	23 925
<b>Total</b>	<b>85 750</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>

A summary of the revised budget is included in Section 4 of this report.

## Section 4 - Adjustment budget tables

The Budget tables are:

**Table B1 - Adjustments Budget Summary**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Financial Performance</u></b>					
Property rates	8 536	–	8 536	9 048	9 591
Service charges	50 558	–	50 558	53 591	56 807
Investment revenue	16 500	1 500	18 000	16 854	17 865
Transfers recognised - operational	157 443	–	157 443	163 775	173 392
Other own revenue	6 730	(1)	6 729	7 133	7 561
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>239 767</b>	<b>1 499</b>	<b>241 266</b>	<b>250 402</b>	<b>265 216</b>
Employee costs	88 932	2 054	90 986	96 272	101 429
Remuneration of councillors	13 522	–	13 522	14 225	14 964
Depreciation & asset impairment	21 058	–	21 058	22 153	23 305
Finance charges	3 133	–	3 133	3 304	3 628
Materials and bulk purchases	51 261	267	51 527	54 203	57 021
Transfers and grants	909	(300)	609	640	674
Other expenditure	72 780	(566)	72 213	78 821	83 031
<b>Total Expenditure</b>	<b>251 594</b>	<b>1 455</b>	<b>253 049</b>	<b>269 618</b>	<b>284 053</b>
<b>Surplus/(Deficit)</b>	<b>(11 826)</b>	<b>44</b>	<b>(11 782)</b>	<b>(19 216)</b>	<b>(18 837)</b>
Transfers recognised - capital	39 761	523	40 284	42 858	46 518
<b>Surplus/ (Deficit) for the year</b>	<b>27 934</b>	<b>567</b>	<b>28 501</b>	<b>23 641</b>	<b>27 681</b>
<b><u>Capital expenditure &amp; funds sources</u></b>					
<b>Capital expenditure</b>	85 750	(13 509)	72 242	69 825	70 443
Transfers recognised - capital	39 761	523	40 284	42 858	46 518
Internally generated funds	45 990	(14 032)	31 958	26 967	23 925
<b>Total sources of capital funds</b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>
<b><u>Financial position</u></b>					
Total current assets	256 644	53 506	310 150	290 102	274 874
Total non current assets	543 986	(32 576)	511 410	559 081	606 219
Total current liabilities	36 711	6 619	43 330	45 503	47 824
Total non current liabilities	35 286	(2 571)	32 716	34 525	36 433
<b>Community wealth/Equity</b>	<b>728 633</b>	<b>16 881</b>	<b>745 514</b>	<b>769 155</b>	<b>796 836</b>

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Cash flows</u></b>					
Net cash from (used) operating	53 897	(4 501)	49 397	51 840	57 277
Net cash from (used) investing	(85 750)	13 509	(72 242)	(69 825)	(70 443)
Net cash from (used) financing	(773)	13	(760)	(767)	(777)
<b>Cash/cash equivalents at the year end</b>	<b>232 556</b>	<b>56 935</b>	<b>289 490</b>	<b>270 738</b>	<b>256 795</b>
<b><u>Cash backing/surplus reconciliation</u></b>					
Cash and investments available	232 556	56 935	289 490	270 738	256 795
Application of cash and investments	221 449	32 862	254 311	256 882	252 449
<b>Balance - surplus (shortfall)</b>	<b>11 106</b>	<b>24 073</b>	<b>35 179</b>	<b>13 856</b>	<b>4 346</b>
<b><u>Asset Management</u></b>					
Asset register summary (WDV)	542 700	(31 290)	511 410	559 081	606 219
Depreciation & asset impairment	21 058	–	21 058	22 153	23 305
Renewal and Upgrading of Existing Assets	32 195	(3 522)	28 673	27 242	54 988
Repairs and Maintenance	11 579	(140)	11 438	11 726	12 336
<b><u>Free services</u></b>					
Cost of Free Basic Services provided	605	–	605	642	680
Revenue cost of free services provided	2 166	–	2 166	2 296	2 434
<b><u>Households below minimum service level</u></b>					
Energy:	8	–	8	9	9
Refuse:	41	–	41	44	46

**Table B2 - Adjustments Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Revenue - Functional</u></b>					
<i><b>Governance and administration</b></i>	<b>120 531</b>	<b>1 500</b>	<b>122 031</b>	<b>126 760</b>	<b>134 163</b>
Executive and council	7 254	–	7 254	7 597	7 959
Finance and administration	113 277	1 500	114 777	119 163	126 204
<i><b>Community and public safety</b></i>	<b>4 289</b>	<b>(1)</b>	<b>4 288</b>	<b>4 455</b>	<b>4 694</b>
Community and social services	1 639	–	1 639	1 647	1 718
Sport and recreation	8	–	8	9	10
Public safety	2 641	(1)	2 640	2 799	2 966
<i><b>Economic and environmental services</b></i>	<b>41 041</b>	<b>–</b>	<b>41 041</b>	<b>40 689</b>	<b>43 608</b>
Planning and development	2 095	–	2 095	2 206	2 362
Road transport	38 946	–	38 946	38 482	41 245
<i><b>Trading services</b></i>	<b>113 664</b>	<b>523</b>	<b>114 187</b>	<b>121 353</b>	<b>129 266</b>
Energy sources	73 925	523	74 448	79 288	84 679
Waste management	39 738	–	39 738	42 065	44 587
<i><b>Other</b></i>	<b>3</b>	<b>–</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total Revenue - Functional</b>	<b>279 528</b>	<b>2 022</b>	<b>281 550</b>	<b>293 259</b>	<b>311 734</b>
<b><u>Expenditure - Functional</u></b>					
<i><b>Governance and administration</b></i>	<b>99 642</b>	<b>796</b>	<b>100 438</b>	<b>106 935</b>	<b>112 663</b>
Executive and council	28 143	(278)	27 866	29 861	31 444
Finance and administration	68 586	1 000	69 586	74 052	78 035
Internal audit	2 913	73	2 986	3 023	3 185
<i><b>Community and public safety</b></i>	<b>16 463</b>	<b>(1)</b>	<b>16 462</b>	<b>17 154</b>	<b>18 065</b>
Community and social services	10 214	131	10 344	10 987	11 569
Sport and recreation	2 166	(4)	2 161	2 276	2 397
Public safety	4 083	(127)	3 956	3 891	4 100
<i><b>Economic and environmental services</b></i>	<b>41 686</b>	<b>(300)</b>	<b>41 385</b>	<b>43 975</b>	<b>46 301</b>
Planning and development	18 831	(655)	18 176	19 951	21 014
Road transport	22 686	355	23 040	23 841	25 094
Environmental protection	170	–	170	184	194
<i><b>Trading services</b></i>	<b>92 111</b>	<b>889</b>	<b>93 000</b>	<b>99 744</b>	<b>105 117</b>
Energy sources	54 428	571	54 999	58 454	61 639
Waste water management	4 407	132	4 539	4 782	5 033
Waste management	33 276	187	33 463	36 508	38 445
<i><b>Other</b></i>	<b>1 692</b>	<b>71</b>	<b>1 763</b>	<b>1 809</b>	<b>1 907</b>
<b>Total Expenditure - Functional</b>	<b>251 594</b>	<b>1 455</b>	<b>253 049</b>	<b>269 618</b>	<b>284 053</b>
<b>Surplus/ (Deficit) for the year</b>	<b>27 934</b>	<b>567</b>	<b>28 501</b>	<b>23 641</b>	<b>27 681</b>



**Table B3 - Adjustments Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Revenue by Vote</u></b>					
Vote 1 - Executive & Council	7 254	–	7 254	7 597	7 959
Vote 2 - Planning & Development	1 984	–	1 984	2 088	2 238
Vote 3 - Corporate Services	182	–	182	193	205
Vote 4 - Budget & Treasury	113 206	1 500	114 706	119 087	126 124
Vote 5 - Road Transport	41 498	–	41 498	41 188	44 113
Vote 9 - Community & Social Services	1 642	–	1 642	1 650	1 721
Vote 10 - Sport & Recreation	8	–	8	9	10
Vote 11 - Public Safety	89	(1)	88	93	99
Vote 12 - Electricity	73 925	523	74 448	79 288	84 679
Vote 13 - Waste Management	39 738	–	39 738	42 065	44 587
<b>Total Revenue by Vote</b>	<b>279 528</b>	<b>2 022</b>	<b>281 550</b>	<b>293 259</b>	<b>311 734</b>
<b><u>Expenditure by Vote</u></b>					
Vote 1 - Executive & Council	31 056	(205)	30 851	32 884	34 628
Vote 2 - Planning & Development	21 238	(781)	20 458	22 512	23 713
Vote 3 - Corporate Services	35 218	573	35 791	37 434	39 445
Vote 4 - Budget & Treasury	32 117	602	32 719	35 281	37 182
Vote 5 - Road Transport	25 656	511	26 166	26 879	28 294
Vote 6 - Waste Water Management	4 407	132	4 539	4 782	5 033
Vote 9 - Community & Social Services	10 919	153	11 072	11 755	12 378
Vote 10 - Sport & Recreation	2 166	(4)	2 161	2 276	2 397
Vote 11 - Public Safety	1 113	(283)	830	853	899
Vote 12 - Electricity	54 428	571	54 999	58 454	61 639
Vote 13 - Waste Management	33 276	187	33 463	36 508	38 445
<b>Total Expenditure by Vote</b>	<b>251 594</b>	<b>1 455</b>	<b>253 049</b>	<b>269 618</b>	<b>284 053</b>
<b>Surplus/ (Deficit) for the year</b>	<b>27 934</b>	<b>567</b>	<b>28 501</b>	<b>23 641</b>	<b>27 681</b>

**Table B4 - Adjustments Budgeted Financial Performance (revenue and expenditure)**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Revenue By Source</u></b>					
Property rates	8 536	–	8 536	9 048	9 591
Service charges - electricity revenue	40 911	–	40 911	43 365	45 967
Service charges - refuse revenue	9 647	–	9 647	10 226	10 840
Rental of facilities and equipment	116	–	116	123	131
Interest earned - external investments	16 500	1 500	18 000	16 854	17 865
Interest earned - outstanding debtors	2 402	–	2 402	2 546	2 699
Fines, penalties and forfeits	168	(1)	167	177	187
Licences and permits	1 189	–	1 189	1 260	1 335
Agency services	999	–	999	1 059	1 123
Transfers and subsidies	157 443	–	157 443	163 775	173 392
Other revenue	1 857	–	1 857	1 968	2 086
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>239 767</b>	<b>1 499</b>	<b>241 266</b>	<b>250 402</b>	<b>265 216</b>
<b><u>Expenditure By Type</u></b>					
Employee related costs	88 932	2 054	90 986	96 272	101 429
Remuneration of councillors	13 522	–	13 522	14 225	14 964
Debt impairment	7 500	–	7 500	11 134	11 713
Depreciation & asset impairment	21 058	–	21 058	22 153	23 305
Finance charges	3 133	–	3 133	3 304	3 628
Bulk purchases	36 750	–	36 750	38 661	40 671
Other materials	14 511	267	14 777	15 542	16 350
Contracted services	35 505	(1 781)	33 724	36 749	38 726
Transfers and subsidies	909	(300)	609	640	674
Other expenditure	29 774	1 215	30 989	30 937	32 591
<b>Total Expenditure</b>	<b>251 594</b>	<b>1 455</b>	<b>253 049</b>	<b>269 618</b>	<b>284 053</b>
<b>Surplus/(Deficit)</b>	<b>(11 826)</b>	<b>44</b>	<b>(11 782)</b>	<b>(19 216)</b>	<b>(18 837)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	39 761	523	40 284	42 858	46 518
<b>Surplus/ (Deficit) for the year</b>	<b>27 934</b>	<b>567</b>	<b>28 501</b>	<b>23 641</b>	<b>27 681</b>

**Table B5 - Adjustments Budgeted Capital Expenditure by vote, standard classification and funding**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Capital expenditure - Vote</u></b>					
<b><u>Multi-year expenditure to be adjusted</u></b>					
Vote 3 - Corporate Services	9 317	1 803	11 120	–	–
Vote 4 - Budget & Treasury	–	700	700	825	868
Vote 5 - Road Transport	34 129	(6 880)	27 249	18 740	17 820
Vote 9 - Community & Social Services	3 876	(2 921)	955	25 500	40 400
Vote 10 - Sport & Recreation	3 100	(2 050)	1 050	–	2 100
Vote 11 - Public Safety	1 931	150	2 081	–	–
Vote 12 - Electricity	4 700	773	5 473	6 377	7 275
Vote 13 - Waste Management	19 574	(2 101)	17 473	8 227	–
<b>Capital multi-year expenditure sub-total</b>	<b>76 627</b>	<b>(10 526)</b>	<b>66 101</b>	<b>59 669</b>	<b>68 463</b>
<b><u>Single-year expenditure to be adjusted</u></b>					
Vote 1 - Executive & Council	191	(14)	177	201	211
Vote 2 - Planning & Development	246	–	246	134	141
Vote 3 - Corporate Services	488	–	488	145	152
Vote 4 - Budget & Treasury	2 264	(784)	1 480	715	373
Vote 5 - Road Transport	2 508	(1 290)	1 218	152	54
Vote 9 - Community & Social Services	600	(600)	–	–	–
Vote 10 - Sport & Recreation	216	(5)	211	–	–
Vote 12 - Electricity	1 986	(250)	1 736	1 740	95
Vote 13 - Waste Management	625	(39)	586	7 069	953
<b>Capital single-year expenditure sub-total</b>	<b>9 123</b>	<b>(2 982)</b>	<b>6 141</b>	<b>10 156</b>	<b>1 981</b>
<b>Total Capital Expenditure - Vote</b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>
<b><u>Capital Expenditure - Functional</u></b>					
<b><i>Governance and administration</i></b>	<b>12 260</b>	<b>1 705</b>	<b>13 965</b>	<b>1 886</b>	<b>1 605</b>
Executive and council	123	(34)	88	129	136
Finance and administration	12 069	1 719	13 788	1 685	1 393
Internal audit	69	20	89	72	76
<b><i>Community and public safety</i></b>	<b>10 073</b>	<b>(5 526)</b>	<b>4 547</b>	<b>25 900</b>	<b>42 500</b>
Community and social services	4 476	(3 521)	955	25 500	40 400
Sport and recreation	3 316	(2 055)	1 261	–	2 100
Public safety	2 281	50	2 331	400	–
<b><i>Economic and environmental services</i></b>	<b>36 532</b>	<b>(8 070)</b>	<b>28 462</b>	<b>18 626</b>	<b>18 015</b>
Planning and development	246	–	246	134	141
Road transport	36 287	(8 070)	28 217	18 492	17 874
<b><i>Trading services</i></b>	<b>26 886</b>	<b>(1 617)</b>	<b>25 268</b>	<b>23 413</b>	<b>8 324</b>
Energy sources	6 686	523	7 209	8 117	7 370
Waste management	20 199	(2 140)	18 059	15 296	953
<b>Total Capital Expenditure - Functional</b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>
<b><u>Funded by:</u></b>					
National Government	39 761	523	40 284	42 858	46 518
<b>Transfers recognised - capital</b>	<b>39 761</b>	<b>523</b>	<b>40 284</b>	<b>42 858</b>	<b>46 518</b>
<b>Internally generated funds</b>	<b>45 990</b>	<b>(14 032)</b>	<b>31 958</b>	<b>26 967</b>	<b>23 925</b>
<b>Total Capital Funding</b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>

**Table B6 - Adjustments Budgeted Financial Position**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	58 692	(49 653)	9 039	18 333	29 630
Call investment deposits	173 863	106 587	280 451	252 406	227 165
Consumer debtors	10 199	4 671	14 871	13 533	12 203
Other debtors	13 088	(7 709)	5 378	5 378	5 378
Inventory	802	(391)	411	452	497
<b>Total current assets</b>	<b>256 644</b>	<b>53 506</b>	<b>310 150</b>	<b>290 102</b>	<b>274 874</b>
<b>Non current assets</b>					
Investment property	33 375	12 232	45 607	45 607	45 607
Property, plant and equipment	508 777	(43 206)	465 570	513 298	560 494
Intangible	548	(316)	232	176	118
Other non-current assets	1 286	(1 286)	–	–	–
<b>Total non current assets</b>	<b>543 986</b>	<b>(32 576)</b>	<b>511 410</b>	<b>559 081</b>	<b>606 219</b>
<b>TOTAL ASSETS</b>	<b>800 630</b>	<b>20 930</b>	<b>821 560</b>	<b>849 183</b>	<b>881 093</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	871	(0)	871	887	904
Consumer deposits	1 724	–	1 724	1 828	1 938
Trade and other payables	20 912	5 887	26 800	27 441	28 174
Provisions	13 203	732	13 936	15 347	16 809
<b>Total current liabilities</b>	<b>36 711</b>	<b>6 619</b>	<b>43 330</b>	<b>45 503</b>	<b>47 824</b>
<b>Non current liabilities</b>					
Borrowing	8 634	0	8 634	7 747	6 843
Provisions	26 652	(2 571)	24 081	26 777	29 589
<b>Total non current liabilities</b>	<b>35 286</b>	<b>(2 571)</b>	<b>32 716</b>	<b>34 525</b>	<b>36 433</b>
<b>TOTAL LIABILITIES</b>	<b>71 997</b>	<b>4 049</b>	<b>76 046</b>	<b>80 027</b>	<b>84 257</b>
<b>NET ASSETS</b>	<b>728 633</b>	<b>16 881</b>	<b>745 514</b>	<b>769 155</b>	<b>796 836</b>
<b>COMMUNITY WEALTH/EQUITY</b>					
Accumulated Surplus/(Deficit)	461 619	(11 706)	449 913	474 186	509 638
Reserves	267 014	28 587	295 601	294 969	287 198
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>728 633</b>	<b>16 881</b>	<b>745 514</b>	<b>769 155</b>	<b>796 836</b>

**Table B7 - Adjustments Budgeted Cash Flows**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	7 516	(261)	7 255	7 691	8 152
Service charges	44 517	(1 543)	42 974	45 553	48 286
Other revenue	4 315	2 037	6 352	6 733	7 137
Government - operating	157 443	–	157 443	163 775	173 392
Government - capital	39 761	523	40 284	42 858	46 518
Interest	18 615	(615)	18 000	16 854	17 865
<b>Payments</b>					
Suppliers and employees	(214 228)	(4 942)	(219 170)	(227 678)	(239 772)
Finance charges	(3 133)	–	(3 133)	(3 304)	(3 628)
Transfers and Grants	(909)	300	(609)	(640)	(674)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>53 897</b>	<b>(4 501)</b>	<b>49 397</b>	<b>51 840</b>	<b>57 277</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Payments</b>					
Capital assets	(85 750)	13 509	(72 242)	(69 825)	(70 443)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(85 750)</b>	<b>13 509</b>	<b>(72 242)</b>	<b>(69 825)</b>	<b>(70 443)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase (decrease) in consumer deposits	82	13	95	103	110
<b>Payments</b>					
Repayment of borrowing	(855)	0	(855)	(871)	(887)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(773)</b>	<b>13</b>	<b>(760)</b>	<b>(767)</b>	<b>(777)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(32 626)</b>	<b>9 021</b>	<b>(23 605)</b>	<b>(18 752)</b>	<b>(13 944)</b>
Cash/cash equivalents at the year begin:	265 182	47 914	313 095	289 490	270 738
Cash/cash equivalents at the year end:	232 556	56 935	289 490	270 738	256 795

**Table B8 - Adjustments Cash backed reserves/accumulated surplus reconciliation**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b><u>Cash and investments available</u></b>					
Cash/cash equivalents at the year end	232 556	56 935	289 490	270 738	256 795
<b>Cash and investments available:</b>	<b>232 556</b>	<b>56 935</b>	<b>289 490</b>	<b>270 738</b>	<b>256 795</b>
<b><u>Applications of cash and investments</u></b>					
Unspent conditional transfers	10 203	2 562	12 766	12 766	12 766
Other working capital requirements	(9 225)	5 853	(3 372)	(1 580)	295
Other provisions	13 203	732	13 936	15 347	16 809
Reserves to be backed by cash/investments	207 268	23 714	230 981	230 350	222 579
<b>Total Application of cash and investments:</b>	<b>221 449</b>	<b>32 862</b>	<b>254 311</b>	<b>256 882</b>	<b>252 449</b>
<b>Surplus(shortfall)</b>	<b>11 106</b>	<b>24 073</b>	<b>35 179</b>	<b>13 856</b>	<b>4 346</b>

**Table B9 - Adjustments Budget Asset Management**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b>CAPITAL EXPENDITURE</b>					
<b><u>Total New Assets to be adjusted</u></b>	<b>53 555</b>	<b>(9 986)</b>	<b>43 569</b>	<b>42 583</b>	<b>15 456</b>
Roads Infrastructure	29 629	(3 100)	26 529	7 150	–
Electrical Infrastructure	4 900	673	5 573	6 677	7 275
Solid Waste Infrastructure	5 580	(3 390)	2 190	6 000	–
Infrastructure	40 109	(5 817)	34 292	19 827	7 275
Community Facilities	2 757	129	2 886	12 500	6 200
Sport and Recreation Facilities	216	(5)	211	–	–
Community Assets	2 973	124	3 097	12 500	6 200
Operational Buildings	4 000	(3 750)	250	100	–
Other Assets	4 000	(3 750)	250	100	–
Licences and Rights	69	20	89	72	76
Intangible Assets	69	20	89	72	76
Computer Equipment	1 057	–	1 057	908	575
Furniture and Office Equipment	230	(34)	196	242	255
Machinery and Equipment	2 018	(301)	1 717	6 563	316
Transport Assets	3 100	(228)	2 872	2 371	759
<b><u>Total Renewal of Existing Assets to be adjusted</u></b>	<b>16 767</b>	<b>(2 277)</b>	<b>14 490</b>	<b>3 950</b>	<b>6 300</b>
Roads Infrastructure	850	(730)	120	950	–
Solid Waste Infrastructure	–	2 200	2 200	–	–
Infrastructure	850	1 470	2 320	950	–
Community Facilities	4 600	(3 550)	1 050	3 000	4 200
Sport and Recreation Facilities	2 000	(2 000)	–	–	2 100
Community Assets	6 600	(5 550)	1 050	3 000	6 300
Operational Buildings	9 317	1 803	11 120	–	–
Other Assets	9 317	1 803	11 120	–	–
<b><u>Total Upgrading of Existing Assets to be adjusted</u></b>	<b>15 428</b>	<b>(1 245)</b>	<b>14 183</b>	<b>23 292</b>	<b>48 688</b>
Roads Infrastructure	500	(250)	250	10 240	17 820
Solid Waste Infrastructure	13 994	(911)	13 083	2 227	–
Infrastructure	14 494	(1 161)	13 333	12 467	17 820
Community Facilities	150	–	150	10 000	30 000
Community Assets	150	–	150	10 000	30 000
Operational Buildings	784	(84)	700	825	868
Other Assets	784	(84)	700	825	868
<b><u>Total Capital Expenditure to be adjusted</u></b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>
Roads Infrastructure	30 979	(4 080)	26 899	18 340	17 820
Electrical Infrastructure	4 900	673	5 573	6 677	7 275
Solid Waste Infrastructure	19 574	(2 101)	17 473	8 227	–
Infrastructure	55 453	(5 508)	49 945	33 244	25 095
Community Facilities	7 507	(3 421)	4 086	25 500	40 400
Sport and Recreation Facilities	2 216	(2 005)	211	–	2 100
Community Assets	9 723	(5 426)	4 297	25 500	42 500
Operational Buildings	14 101	(2 031)	12 070	925	868
Other Assets	14 101	(2 031)	12 070	925	868
Licences and Rights	69	20	89	72	76
Intangible Assets	69	20	89	72	76
Computer Equipment	1 057	–	1 057	908	575
Furniture and Office Equipment	230	(34)	196	242	255
Machinery and Equipment	2 018	(301)	1 717	6 563	316
Transport Assets	3 100	(228)	2 872	2 371	759
<b>TOTAL CAPITAL EXPENDITURE to be adjusted</b>	<b>85 750</b>	<b>(13 509)</b>	<b>72 242</b>	<b>69 825</b>	<b>70 443</b>

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>					
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	542 700	(31 290)	511 410	559 081	606 219
<i>Roads Infrastructure</i>	152 605	(10 779)	141 826	150 948	159 070
<i>Storm water Infrastructure</i>	40 120	44	40 164	38 636	37 029
<i>Electrical Infrastructure</i>	37 946	(919)	37 027	42 597	48 707
<i>Solid Waste Infrastructure</i>	47 584	(5 342)	42 242	50 214	49 946
Infrastructure	278 255	(16 997)	261 259	282 395	294 752
Community Assets	63 931	(8 748)	55 184	78 332	118 359
Investment properties	33 375	12 232	45 607	45 607	45 607
Other Assets	114 891	(19 722)	95 169	95 192	95 110
Intangible Assets	548	(316)	232	176	118
Computer Equipment	3 434	(586)	2 848	2 847	2 467
Furniture and Office Equipment	1 239	143	1 382	767	117
Machinery and Equipment	13 838	2 087	15 925	19 935	17 568
Transport Assets	8 295	(3 509)	4 787	4 812	3 103
Land	24 893	4 125	29 018	29 018	29 018
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>542 700</b>	<b>(31 290)</b>	<b>511 410</b>	<b>559 081</b>	<b>606 219</b>
<b>EXPENDITURE OTHER ITEMS</b>					
<u>Depreciation &amp; asset impairment</u>	21 058	–	21 058	22 153	23 305
<u>Repairs and Maintenance by asset class</u>	<b>11 579</b>	<b>(140)</b>	<b>11 438</b>	<b>11 726</b>	<b>12 336</b>
<i>Roads Infrastructure</i>	2 154	–	2 154	1 903	2 002
<i>Storm water Infrastructure</i>	304	10	314	320	336
<i>Electrical Infrastructure</i>	1 028	(10)	1 018	1 054	1 108
<i>Solid Waste Infrastructure</i>	316	–	316	333	350
Infrastructure	3 802	–	3 802	3 609	3 797
Community Facilities	2 117	(269)	1 848	2 152	2 264
Sport and Recreation Facilities	188	11	199	198	208
Community Assets	2 305	(257)	2 047	2 350	2 472
Operational Buildings	1 078	(35)	1 043	1 140	1 200
Other Assets	1 078	(35)	1 043	1 140	1 200
Furniture and Office Equipment	535	92	627	563	592
Machinery and Equipment	1 458	134	1 591	1 538	1 618
Transport Assets	2 401	(74)	2 327	2 526	2 657
<b>TOTAL EXPENDITURE OTHER ITEMS to be adjusted</b>	<b>32 637</b>	<b>(140)</b>	<b>32 497</b>	<b>33 880</b>	<b>35 642</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	37.5%		39.7%	39.0%	78.1%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>	152.9%		136.2%	123.0%	235.9%
<i>R&amp;M as a % of PPE</i>	2.1%		2.2%	2.1%	2.0%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	8.1%		7.8%	7.0%	11.1%



**Table B10 - Adjustments Budget Basic service delivery measurement**

Description	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b><u>Household service targets</u></b>					
<b><u>Energy:</u></b>					
Electricity (at least min. service level)	35 801	–	35 801	39 739	45 700
Electricity - prepaid (> min.service level)	1 368	–	1 368	1 655	1 953
Minimum Service Level and Above sub-total	37 169	–	37 169	41 394	47 653
Other energy sources	8 460	–	8 460	9 136	9 410
Below Minimum Service Level sub-total	8 460	–	8 460	9 136	9 410
<b>Total number of households</b>	45 629	–	45 629	50 531	57 064
<b><u>Refuse:</u></b>					
Removed at least once a week (min.service)	5 871	–	5 871	6 223	6 597
Minimum Service Level and Above sub-total	5 871	–	5 871	6 223	6 597
Using communal refuse dump	41 099	–	41 099	43 565	45 743
Below Minimum Service Level sub-total	41 099	–	41 099	43 565	45 743
<b>Total number of households</b>	46 970	–	46 970	49 788	52 340
<b><u>Cost of Free Basic Services provided (R'000)</u></b>					
month)	605	–	605	642	680
<b>Total cost of FBS provided</b>	605	–	605	642	680
<b><u>Highest level of free service provided</u></b>					
Property rates (R'000 value threshold)	60 000	–	60 000	60 000	60 000
Electricity (kw per household per month)	50	–	50	50	50
Refuse (average litres per week)	140	–	140	140	140
<b><u>Revenue cost of free services provided (R'000)</u></b>					
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	2 166	–	2 166	2 296	2 434
<b>Total revenue cost of subsidised services provided</b>	2 166	–	2 166	2 296	2 434

The municipality does not have any entities for which adjustments budgets must be prepared.

## **PART 2 - SUPPORTING DOCUMENTATION**

### **Section 5 - Measurable performance objectives and indicators**

Changes to measurable performance objectives and indicators are included in the supporting tables attached as Appendix “A”. These indicators are part of the indicators contained in the Service Delivery and Budget Implementation Plan, which again forms the basis of the performance contracts of the Municipal Manager and Senior Management.

### **Section 6 - Budget related policies**

There are no changes to the budget related policies proposed in the adjustments budget.

### **Section 7 - Overview of budget assumptions**

#### **Budget Assumptions**

There are no changes to the budget assumptions proposed in the adjustments budget.

### **Section 8 - Funding compliance**

The adjustments budget is cash - funded which is the first indicator of a “credible” budget.

Funding levels are acceptable at an average of 16 months cash - resources (inclusive of the Reserve balances), which is remarkable in these economic times, and is sufficient to cover all requirements of the funding and reserves policy.

## **Section 9 - Overview of budget funding**

### **Funding the Budget**

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

### **A Credible Budget**

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and on past performance and supported by documented evidence of future assumptions;
- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

## **Fiscal Overview of Senqu Municipality**

Over the past financial years via sound and strong financial management, Senqu Municipality has moved internally to a position of relative financial stability. There is also a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management.

### Long term financial planning

The municipality's financial position is sound and this budget further ensures that it stays sound.

The municipality plans to continue exercising strict financial management and ensuring a cash flow which meets the requirements.

Due to the fact that the majority of capital expenditure from own sources be funded by way of own cash, the municipality must ensure that the principle of "the user pays for the use of the assets" be applied in its long -term financial strategy. It is for this reason that the municipality provides for cash - backed reserves, which consist of Employee Benefits provisions, the cost of replacing the existing valuation roll and contributions to the Capital Replacement Reserve with the idea being a contribution at least equal to the depreciation charges on those assets being used.

### **Sources of funding**

Interest earned from investments is applied to the income and expenditure account to help fund the operating budget. The following tables summarises the budgeted interest over the MTREF;

<b>R '000</b>	<b>2019/2020 Original Budget</b>	<b>2019/2020 Adjustments Budget</b>	<b>2020/2021 Budget</b>	<b>2021/2022 Budget</b>
Investment Interest	16 500	18 000	16 854	17 865

### **Borrowing**

The MFMA prescribes the conditions within which municipalities may borrow through either short or long term debt.

The Act stipulates that short term debt can be used to meet immediate cash flow needs but that it must be fully repaid within the financial year in which it was incurred. Long term debt can only be incurred for capital expenditure or to re-finance existing long term debt. Proposals to incur long term debt must go through a public consultation process.

The cash flow projections will determine the likely need to borrow short term. It is not projected that any short term borrowing will be required over the MTREF period.

The ratios as set out in the Cash and Management Investment policy are used to establish prudential levels of borrowing in terms of affordability and the overall indebtedness of the Municipality.

## **Section 10 - Expenditure on allocations and grant programmes**

### **Grant allocations**

Details of each grant to be received and spent are shown in the schedules SB7 to SB9 attached to the report.

## **Section 11 - Allocations and grants made by the Municipality**

### **Allocations Made by the Municipality**

Refer to supporting schedule SB10 for allocations made.

Any allocation made to an outside body must comply with the requirements of section 67 of the MFMA. This stipulates that before transferring funds to an outside organisation the Municipal Manager, as Accounting Officer, must be satisfied that the organisation or body has the capacity to comply with the agreement and has adequate financial management and other systems in place.

National Treasury further indicated in MFMA circular 51 that “discretionary” funds should not be appropriated in the budget due to such funds not being transparent during the consultation process.

## **Section 12 - Councillor Allowances and employee benefits**

### **Salaries, Allowances and Benefits**

There are minor adjustments proposed for Councillor Allowances.

Details of Councillor Allowances and employee benefits are included in supporting table SB11 attached.

## **Section 13 - Monthly targets for revenue, expenditure and cash flow**

### **Monthly Cash Flows by source**

Supporting tables SB 12 to SB 17 show the adjusted monthly cash flows.

## **Section 14 - Adjustments to the quarterly service delivery and budget implementation plans - internal departments**

The changes to the quarterly service delivery and budget implementation plans as a result of the changes to the budget are being submitted separately. The main changes to the SDBIP for the year are listed below.

Description	Unit of measurement	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>Vote 3 - Corporate Services</b>						
<b>Function 1 - Buildings</b>						
<b>Sub-function 1 - Other Buildings</b>						
Upgrading of Municipal Office in Lady Grey Ward 14	Completion of project	8 533	2 387	10 920	–	–
Renovations Mayoral Residence	Completion of project	784	(584)	200	–	–
<b>Vote5 - Road Transport</b>						
<b>Function 1 - Roads</b>						
<b>Sub-function 1 - Access Roads</b>						
Construction of Gravel Road with Stormwater control Ward 1 (6.76 km)	Completion of project to the specification of the engineers	4 000	230	4 230	–	–
Construction of Gravel Road with Stormwater control Ward 2 (7.01 km)	Completion of project to the specification of the engineers	4 000	(3 640)	360	6 700	–
Tienbank Property Access Construction	Completion of project to the specification of the engineers	490	(40)	450	450	–
<b>Sub-function 2 - Surfaced Roads</b>						
Construction of Gravel Road with Stormwater control Esilindini to Frans Ward 10 (6km)	Completion of project to the specification of the engineers	5 000	350	5 350	–	–
New Rest Construction - Paving	Completion of project to the specification of the engineers	500	(250)	250	10 240	17 820
Construction of Bus Route in Boyce Nondala Township Barkly East	Completion of project to the specification of the engineers	16 139	–	16 139	–	–
<b>Function 2 - Road Structures</b>						
<b>Sub-function 1 - Bridges</b>						
Transwiler Bridge	Completion of project to the specification of the engineers	850	(730)	120	950	–
<b>Function 3 - Road and Traffic Regulation</b>						
<b>Sub-function 1 - Municipal Offices</b>						
Driving Licence and Testing Centre Sterkspruit	Completion of project to the specification of the engineers	4 000	(3 750)	250	100	–
<b>Vote9 - Community &amp; Social Services</b>						
<b>Function 1 - Community Halls</b>						
<b>Sub-function 1 - Buildings</b>						
Renovations (Barkly East Town Hall)	Renovation of the hall to specifications	3 500	(3 500)	–	3 000	4 200
Sterkspruit Multi Purpose Centre	Renovation of the hall to specifications	150	–	150	10 000	30 000
<b>Function 2 - Cemeteries</b>						
<b>Sub-function 1 - Cemeteries</b>						
Construction of New Cemetery in Barkly East	Completion of project to the specification of the engineers	226	74	300	11 000	–
Senqu Cemeteries	Completion of project to the specification of the engineers	600	(250)	350	1 500	6 200
<b>Vote10 - Sport &amp; Recreation</b>						
<b>Function 1 - Sport Facilities</b>						
<b>Sub-function 1 - Sport Facilities</b>						
Kwezi Naledi Sportsfields Fence	Fully functional sport facilities	2 000	(2 000)	–	–	–
<b>Function 2 - Parks and Gardens</b>						
<b>Sub-function 1 - Parks and Gardens</b>						
Renovations Kwezi Naledi Node	Completion of project to the specification of the engineers	1 100	(50)	1 050	–	–
<b>Vote11 - Public Safety</b>						
<b>Function 1 - Public Safety</b>						
<b>Sub-function 1 - Pounds</b>						
Construction of Animal Pound in Lady Grey Ward 14	Fully functional animal pound	1 931	150	2 081	–	–

Description	Unit of measurement	Budget Year 2019/20			Budget Year +1 2020/21	Budget Year +2 2021/22
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>Vote12 - Electricity</b>						
<b>Function 1 - Electricity distribution</b>						
<b>Sub-function 1 - Infrastructure</b>						
<i>Pre-Paid Electricity Meters</i>	Completion of project to the specification of the engineers	1 500	(1 000)	500	2 000	2 000
<i>DOE Projects - Pre Engineering Costs - Rural Connections</i>	Completion of project to the specification of the engineers	3 200	1 773	4 973	4 377	5 275
<b>Vote13 - Waste Management</b>						
<b>Function 1 - Refuse</b>						
<b>Sub-function 1 - Waste sites Infrastructure</b>						
<i>Solid Waste Site - Sterkspruit</i>	Completion of project to satisfy specifications of the engineers	4 500	(4 200)	300	6 000	–
<i>Solid Waste Site - Herschel</i>	Completion of project to satisfy specifications of the engineers	350	500	850	–	–
<i>Solid Waste Site - Rossouw</i>	Completion of project to satisfy specifications of the engineers	320	310	630	–	–
<i>Solid Waste Site - Rhodes</i>	Completion of project to satisfy specifications of the engineers	410	–	410	–	–
<i>Upgrading of Existing Solid Waste Site in Barkly East</i>	Completion of project to satisfy specifications of the engineers	11 212	1 371	12 583	–	–
<i>Upgrading of Existing Solid Waste Site in Lady Grey</i>	Completion of project to satisfy specifications of the engineers	2 782	(2 282)	500	2 227	–
<i>Rehabilitation of old Sterkspruit Solid Waste Site Ward 10</i>	Completion of project to satisfy specifications of the engineers	–	2 200	2 200	–	–

## Section 15 - Annual budgets and service delivery agreements - municipal entities and other external mechanisms

### ENTITIES

The municipality does not have any entities.

### Other Service Delivery Mechanisms.

The municipality has service delivery agreements with external parties for the delivery of the Municipality's services.

## Section 16 - Contracts having future budgetary implications

The municipality does not have any roll - over contracts with budget implications.



## **Section 17 - Capital expenditure details**

Capital expenditure details are listed in Supporting Table SB 18(a) to SB 19.

## Section 18 - Municipal Manager's quality certification

I, M M Yawa, Municipal Manager of Senqu Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

M M Yawa

Municipal Manager of Senqu Municipality

Signature .....

Date .....