

Senqu Municipality

Adjustment Budget 2018/19 - 2020/21

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

I have the honour to submit the 2018/2019 Adjustment Budget to the Council for approval.

Senqu Municipality must be commended for receiving a “clean audit opinion” for the fifth consecutive year. Despite the challenges that the Municipality has experienced, Senqu Municipality’s excellent performance is creating waves throughout the province. 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 2018/19 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 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
	A	G	H		
R thousands					
<u>Revenue By Source</u>					
Property rates	8 147	100	8 247	8 741	9 266
Service charges - electricity revenue	41 712	–	41 712	44 215	46 868
Service charges - refuse revenue	9 101	–	9 101	9 647	10 226
Rental of facilities and equipment	95	15	110	116	123
Interest earned - external investments	15 000	–	15 000	15 900	16 854
Interest earned - outstanding debtors	2 226	40	2 266	2 402	2 546
Fines, penalties and forfeits	57	101	158	168	178
Licences and permits	1 119	2	1 121	1 189	1 260
Agency services	843	100	943	999	1 059
Transfers and subsidies	144 318	–	144 318	151 683	162 198
Other revenue	1 586	3 217	4 803	1 857	1 968
Total Revenue (excluding capital transfers and contributions)	224 204	3 575	227 779	236 917	252 546
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	44 850	3 678	48 528	39 761	43 481
Total revenue	269 054	7 253	276 307	276 678	296 027

Material adjustments are briefly discussed below:

Property Rates

Based on current and previous actual trends, the full year forecast for Property Rates were adjusted upwards by R100 000.

Fines, penalties and forfeits

The R101 000 increase in Fines revenue can only be attributed to the budget being aligned to the full year forecast for this line item.

Agency Services

The upward adjustment of R100 000 on Agency Services were made based on the current actual trends for the first 6 months of the financial year.

Other revenue

A net increase of R3,2m for Other revenue mainly due to an increase of R3,1m for the Fair Value Adjustment of Investment Property as per results of the 2018/19 valuations.

Transfers Recognised - Capital

Revenue relating to Capital grants were increased by R3 678 000. This increase was due to the following unspent funding that rolled over from 30 June 2018 and were included in the grant expenditure program:

- a. Municipal Infrastructure Grant (MIG) - R3 000 000
- b. Integrated National Electrification Grant (DoE) - R678 000

Operating Expenditure

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

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	9	10			
R thousands	A	G	H		
<u>Expenditure By Type</u>					
Employee related costs	87 122	(1 887)	85 236	90 414	95 892
Remuneration of councillors	13 355	(400)	12 955	13 733	14 557
Debt impairment	4 963	1 000	5 963	6 461	7 076
Depreciation & asset impairment	22 290	(2 018)	20 272	21 488	22 777
Finance charges	3 163	(148)	3 016	3 381	3 752
Bulk purchases	34 506	1 184	35 691	37 832	40 102
Other materials	13 179	1 044	14 223	15 040	15 942
Contracted services	28 298	5 014	33 312	35 067	37 171
Transfers and subsidies	290	296	586	621	658
Other expenditure	29 097	838	29 935	31 660	33 559
Total Expenditure	236 264	4 924	241 188	255 696	271 488

Material adjustments are briefly discussed below:

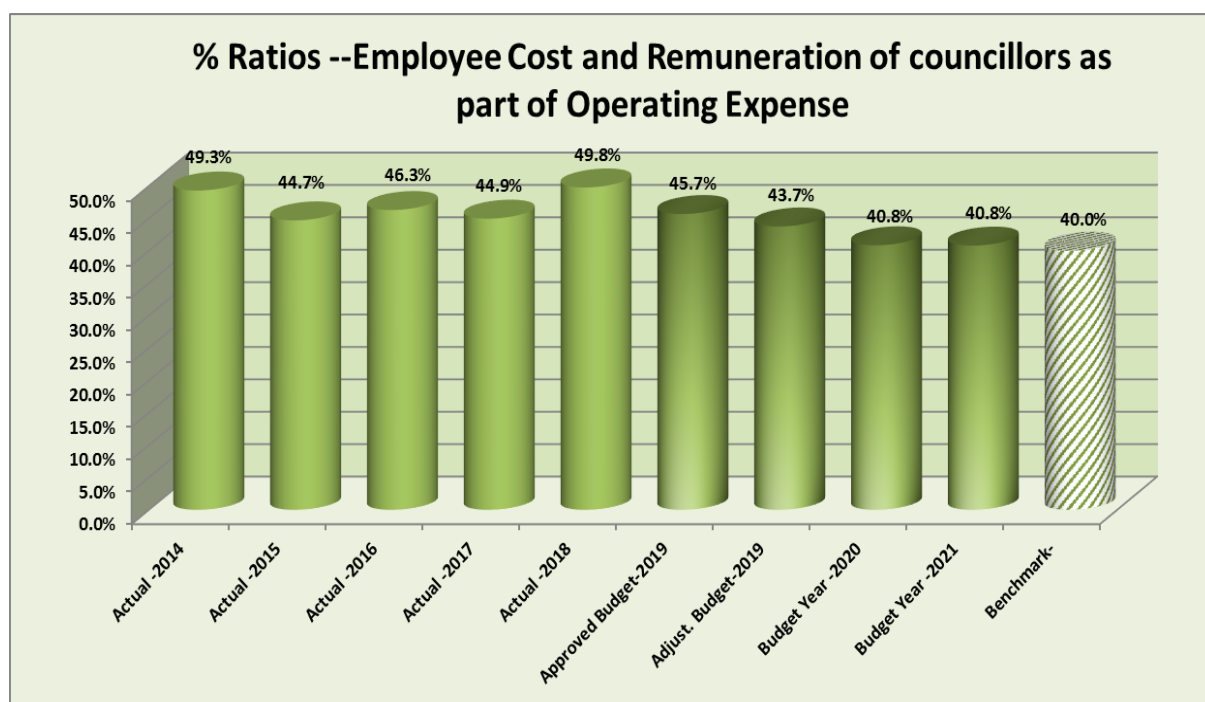
Employee related costs

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. A decrease of R1,89m is proposed in the current budget.

Remuneration of councillors

Remuneration of councillors decreased with R400 000. The adjustment were based on the 2017/2018 audited results as well as the projected full year forecast for 2018/2019.

Although a decrease for Employee Cost and Remuneration of councillors is considered positive, the expenditure on these line items 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%.

Debt impairment

The provision for debt impairment was determined based on an annual collection rate of 90 per cent and the Debt Write-off Policy of the Municipality. Debt Impairment were adjusted upwards with R1m to make provision for bad debts to be written off during the 2018/19 financial year.

Depreciation & asset impairment

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. The downward adjustment of R2,02m on Depreciation and asset impairment were based on the 2017/2018 audited results as well as the projected full year forecast for 2018/2019.

Bulk purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom. Based on current and previous actual trends, the full year forecast for Bulk purchases were adjusted upwards by R1,18m.

Other materials

Other materials increased with R1,04m for 2018/19. This increase was mainly due to additional funding needed for maintenance on roads after unforeseen heavy rains earlier in the financial year.

Contracted services

Included in Contracted Services is an amount of R21,4 million over the MTREF for Repairs and Maintenance. The upward adjustment of R5,01m can be attributed to the increase in maintenance projects, as explained above, as well as the alignment to the full year forecast for legal fees, valuation services and other professional fees.

Transfers and subsidies

Transfers and subsidies were increased to make provision for an additional R300 000 to be transferred to Joe Gqabi District Municipality.

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 R838 186.

The cost associated with indigent subsidies amounts to R11,78 million in 2018/19 and increases to R12,49 million and R13,23 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 do not include the Property rates rebates and the 50 kWh electricity provided to indigents. These amounts are disclosed in table A10 of the budget schedules.

Capital Budget

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

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Total Capital Expenditure to be adjusted</u>					
Roads Infrastructure	25 454	3 746	29 200	21 300	24 851
Electrical Infrastructure	8 283	945	9 228	6 139	2 437
Solid Waste Infrastructure	22 421	772	23 193	31 532	43 000
Infrastructure	56 158	5 463	61 621	58 971	70 288
Community Assets	11 162	(3 668)	7 494	10 057	1 344
Other Assets	5 500	570	6 070	6 033	4 000
Intangible Assets	600	(200)	400	–	–
Computer Equipment	1 137	705	1 842	–	–
Furniture and Office Equipment	110	–	110	–	–
Machinery and Equipment	1 200	(342)	858	–	–
Transport Assets	1 700	(200)	1 500	–	–
TOTAL CAPITAL EXPENDITURE to be adjusted	77 567	2 328	79 895	75 061	75 632

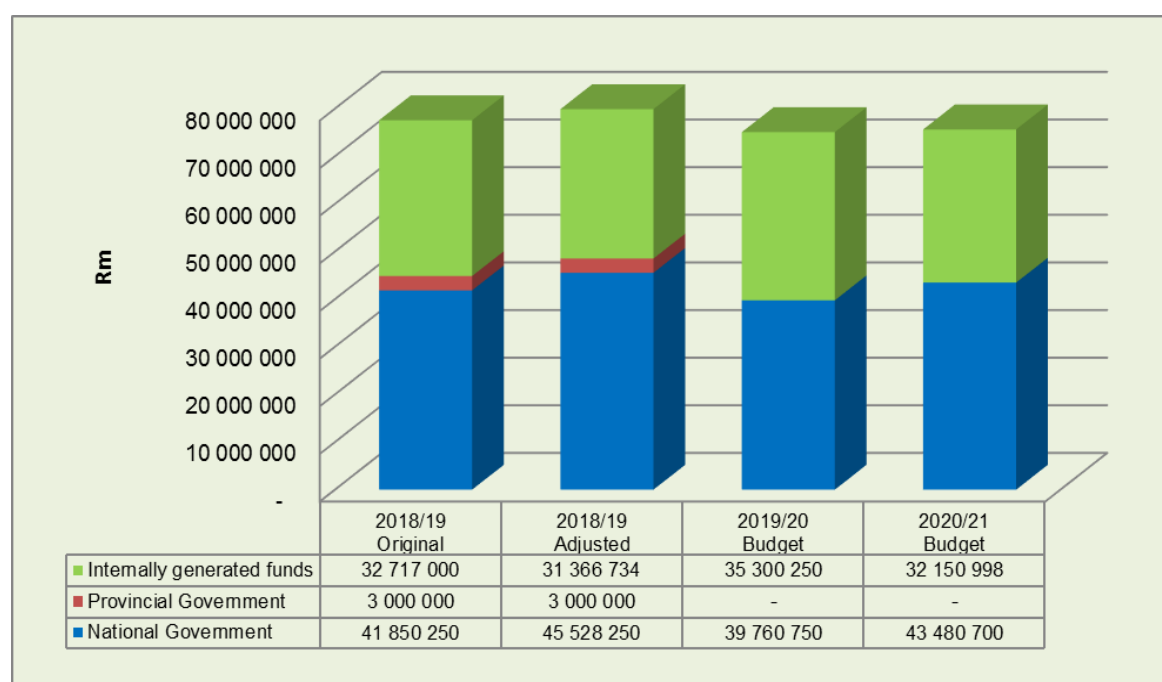
The nett effect of all the adjustments on the capital budget amounted to an increase of R2,33m. This increase is mainly the result of the following items:

- 1) An increase of R1m for the Upgrade Second Floor Building project which is a multi-year project;
- 2) In line with expected expenditure trends according to engineers estimates Tienbank Paved Roads increased with R3,9m and Herschel Paved Roads with R770 000. These projects rolled over from the 2017/18 financial year and will be partially funded by the approved MIG rollover funds;
- 3) Roads between Esilindini and Frans project decreased with R2,6m due to the funds being allocated to the 2019/2020 financial year. This adjustment is in line with expected expenditure trends according to engineers estimates.
- 4) The expected expenditure trends according to engineers estimates indicated an upward adjustment of R4,5m for Boysi Nondala Paved Roads. This project will continue over the MTREF;
- 5) A decrease of R2,8m for the Construction of 6 km Access Roads with Storm Water control W1 due to delays in the project. Additional funds were allocated to the 2019/2020 and 2020/2021 financial years for the completion of this project.
- 6) The current expenditure trends indicated a decrease of R2,2m for the Construction of Lady Grey Animal Pound which rolled over to the 2019/2020 financial year;

- 7) An additional R1,38m was allocated to DOE Projects - Rural Connections which rolled over from the 2017/18 financial year and will be partially funded by the approved DOE rollover funds;
- 8) In line with expected expenditure trends according to engineers estimates Sterkspruit solid waste site increased with R1m, whereas Herschel solid waste site decreased with R4,95m, Rossouw solid waste site decreased with R3,45m and a decrease of R1,15m for Rhodes solid waste site; These funds were allocated to the 2019/2020 and 2020/2021 financial years for the completion of these projects.
- 9) An upward adjustment of R3,53m for Barkly East solid waste site and the Lady Grey solid waste site were reduced with R650 000. These adjustments are line with expected expenditure trends according to engineers estimates.
- 10) An amount of R6,25m was provided for the Old Sterkspruit solid waste site compliance and rehabilitation construction for the 2018/2019 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 R79,9m for 2018/2018, R31,4m 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 R29,08m after capital expenditure of R79,90m have been incurred. Non-cash items such as the Provision for debt impairment of R5,96m and depreciation and asset impairment of R20,27m have been taken into account.

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

Source	2018/2019 Original Budget	2018/2019 Adjustments Budget	2019/2020 Budget	2020/2021 Budget
Generated Operating inflows	57 062	51 580	47 722	53 305
Net Financing outflows	(766)	(763)	(773)	(784)
Net cash inflows	56 296	50 817	46 949	52 520
Outflows - Investment in Assets	(77 567)	(79 895)	(75 061)	(75 632)
Net inflows / (outflows)	(21 271)	(29 078)	(28 112)	(23 111)

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 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Cash and investments available</u>					
Cash/cash equivalents at the year end	206 321	58 861	265 182	237 069	213 958
Cash and investments available:	206 321	58 861	265 182	237 069	213 958
<u>Applications of cash and investments</u>					
Unspent conditional transfers	9 678	525	10 203	10 203	10 203
Other working capital requirements	(13 058)	3 104	(9 954)	(10 385)	(9 601)
Other provisions	–	12 484	12 484	13 576	14 713
Reserves to be backed by cash/investments	179 070	40 799	219 868	211 759	192 562
Total Application of cash and investments:	175 690	56 912	232 602	225 154	207 877
Surplus(shortfall)	30 631	1 949	32 579	11 915	6 081

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.

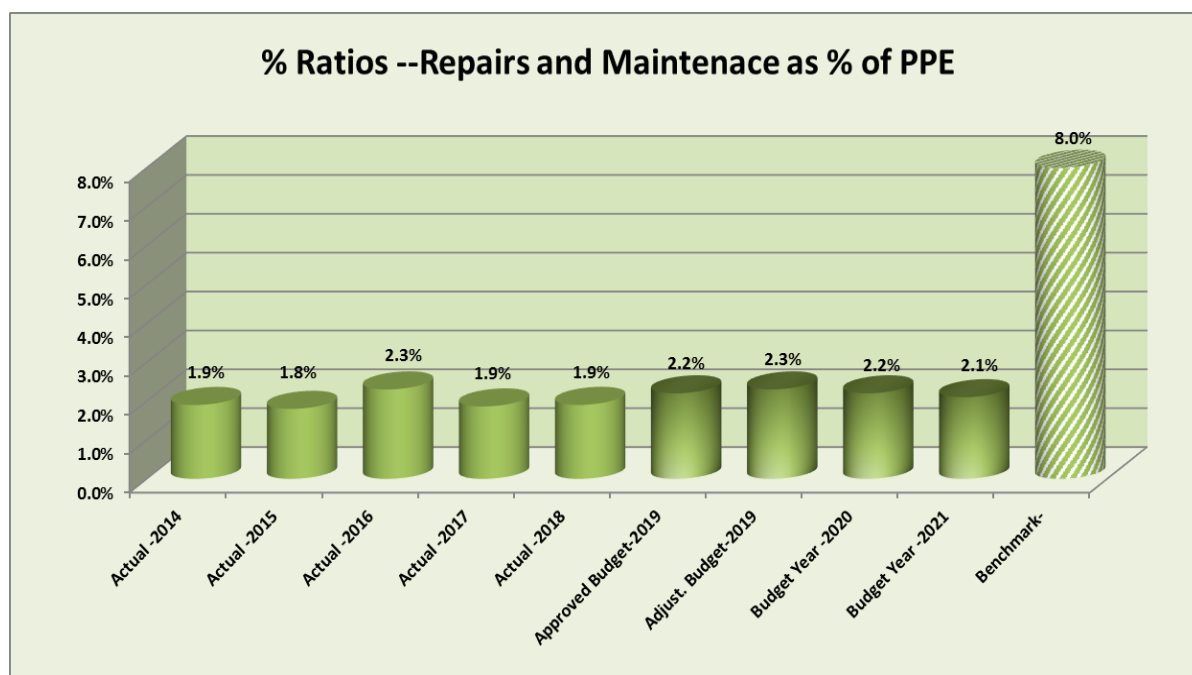
As stated previously in the report, the adjustments made to grant allocations were due to unspent MIG of R3m and DOE funding of R678 000 that rolled over from 30 June 2018 and were included in the grant expenditure program after approval by National Treasury.

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:					
<u>Operating expenditure of Transfers and Grants</u>					
National Government:	142 818	–	142 818	150 183	160 698
Local Government Equitable Share	129 419	–	129 419	139 197	149 262
Finance Management	1 700	–	1 700	1 700	1 700
Nat Gov: Councillor Remuneration	7 015	–	7 015	7 362	7 711
Municipal Infrastructure Grant (MIG)	1 888	–	1 888	1 924	2 025
Nat Gov: EPWP Incentive Grant	2 796	–	2 796	–	–
Provincial Government:	1 500	–	1 500	1 500	1 500
Libraries	1 500	–	1 500	1 500	1 500
Total operating expenditure of Transfers and Grants:	144 318	–	144 318	151 683	162 198
<u>Capital expenditure of Transfers and Grants</u>					
National Government:	41 850	3 678	45 528	39 761	43 481
Municipal Infrastructure Grant (MIG)	35 867	3 000	38 867	36 561	38 481
Integrated National Electrification Programme	5 983	678	6 661	3 200	5 000
Provincial Government:	3 000	–	3 000	–	–
Provincial Public Works Roads Infrastructure	3 000	–	3 000	–	–
Total capital expenditure of Transfers and Grants	44 850	3 678	48 528	39 761	43 481
Total capital expenditure of Transfers and Grants	189 168	3 678	192 846	191 444	205 679

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 60% 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.

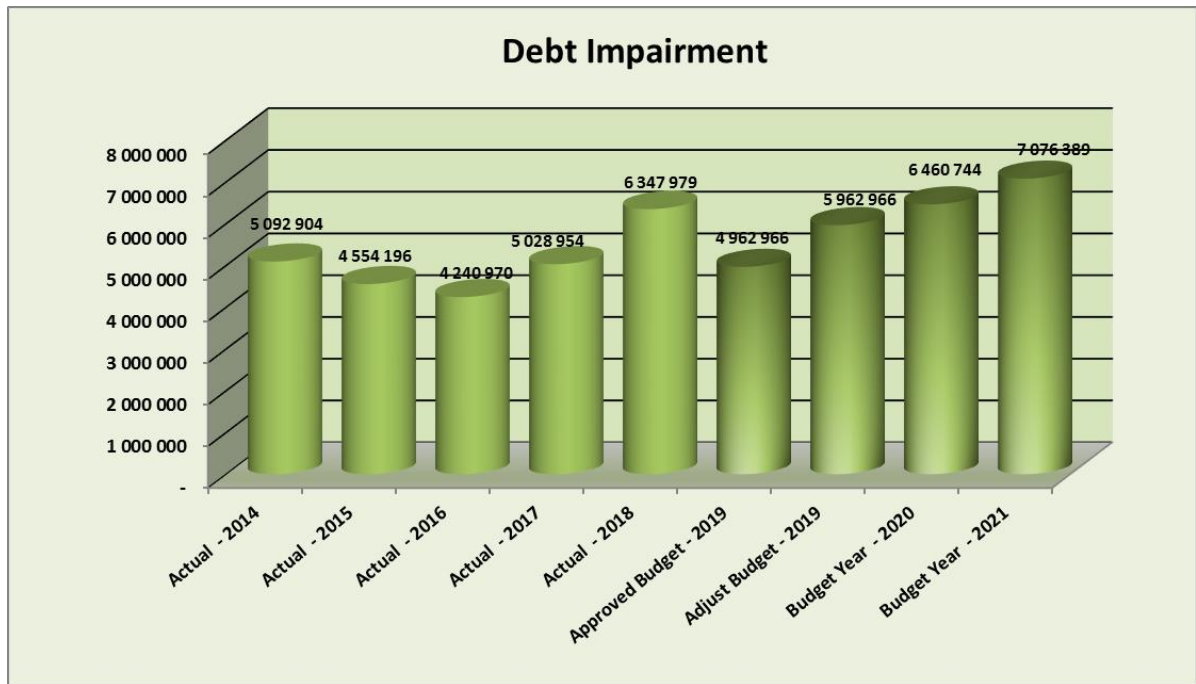


The expenditure on repairs and maintenance is well below acceptable levels. It should however be noted that the municipality is currently not allocating items such as employee related cost utilized in repairs and maintenance projects to the repairs and maintenance line items. This is mainly due to a 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 got an appropriate credit control and debt collection policy which guides the credit control measures, but also includes an appropriate write-off policy.

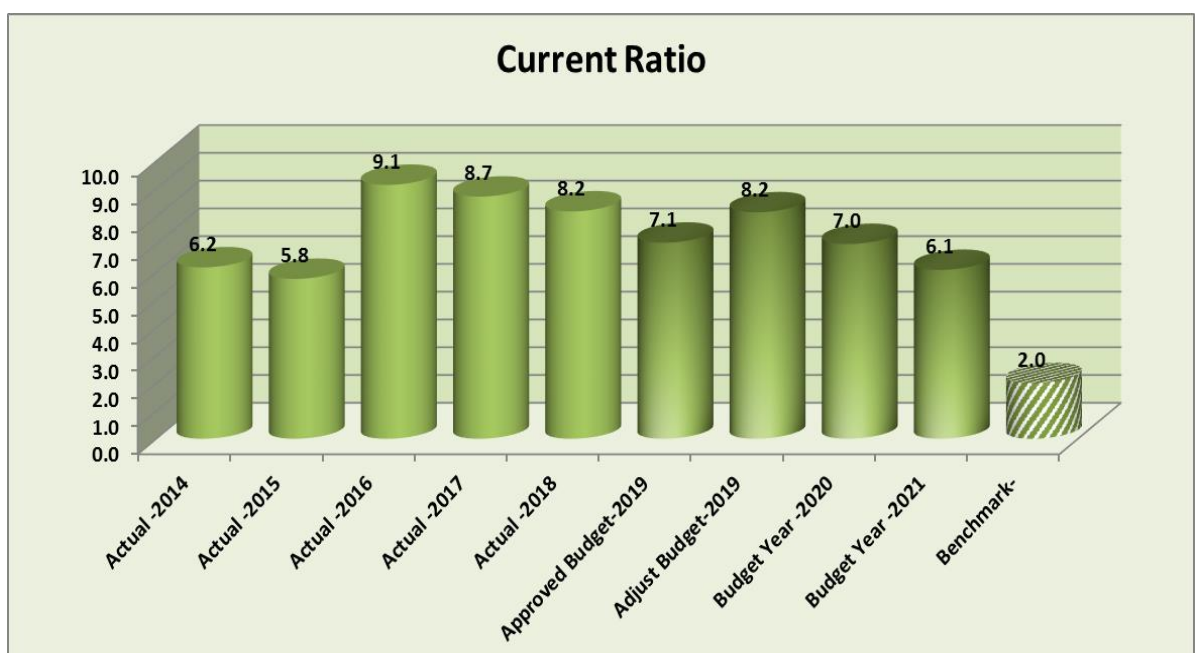
An amount of R5,96m has been budgeted for bad debts which increased over the MTREF. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.



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 measures the ability of the municipality to honour its current commitments. An acceptable norm is 2:1.



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 rapid decline as a result of the declining cash resources over the MTREF at the Senqu Municipality. This could significantly impact on the long term sustainability of the entity.

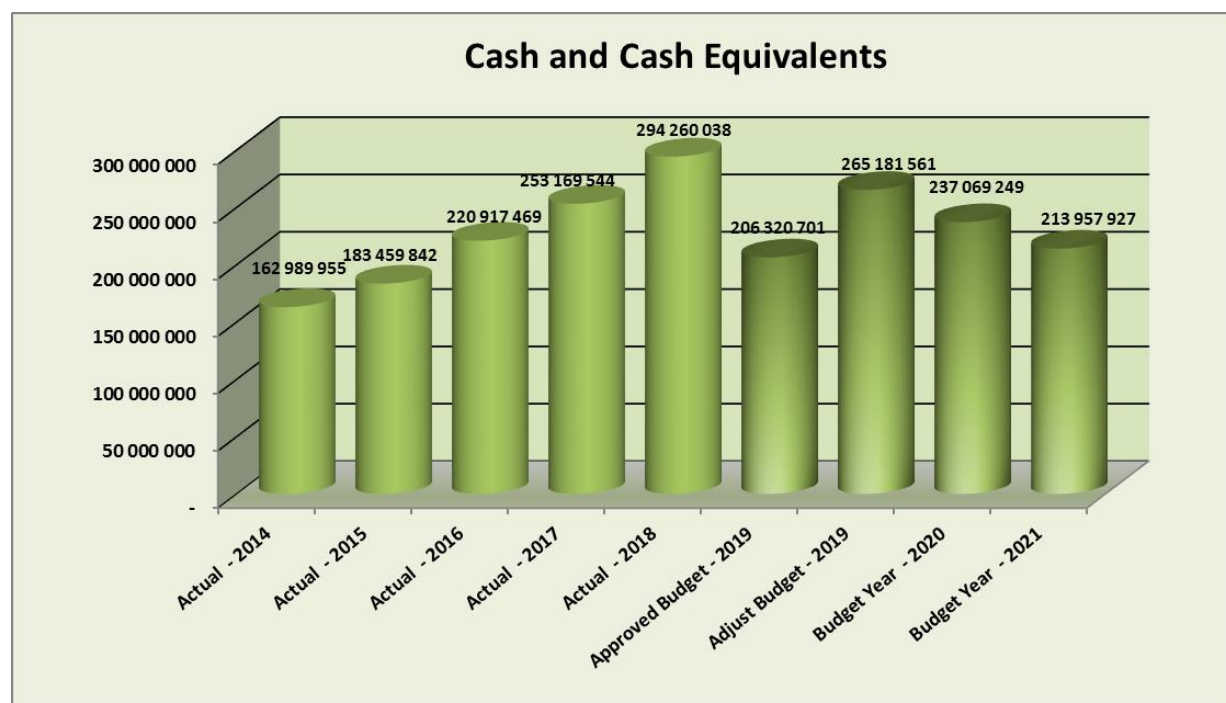
Financial Viability and Sustainability

Financial viability and sustainability is one of the major cornerstones that needs to remain intact to ensure that municipalities follow through on their constitutional obligation to deliver high quality basic services to the citizens of South Africa.

From the perspective of a municipality, the focus point of any sustainability and viability analysis revolves firmly around the municipality's ability to implement policies that contributes to the preservation of cash resources over the long term.

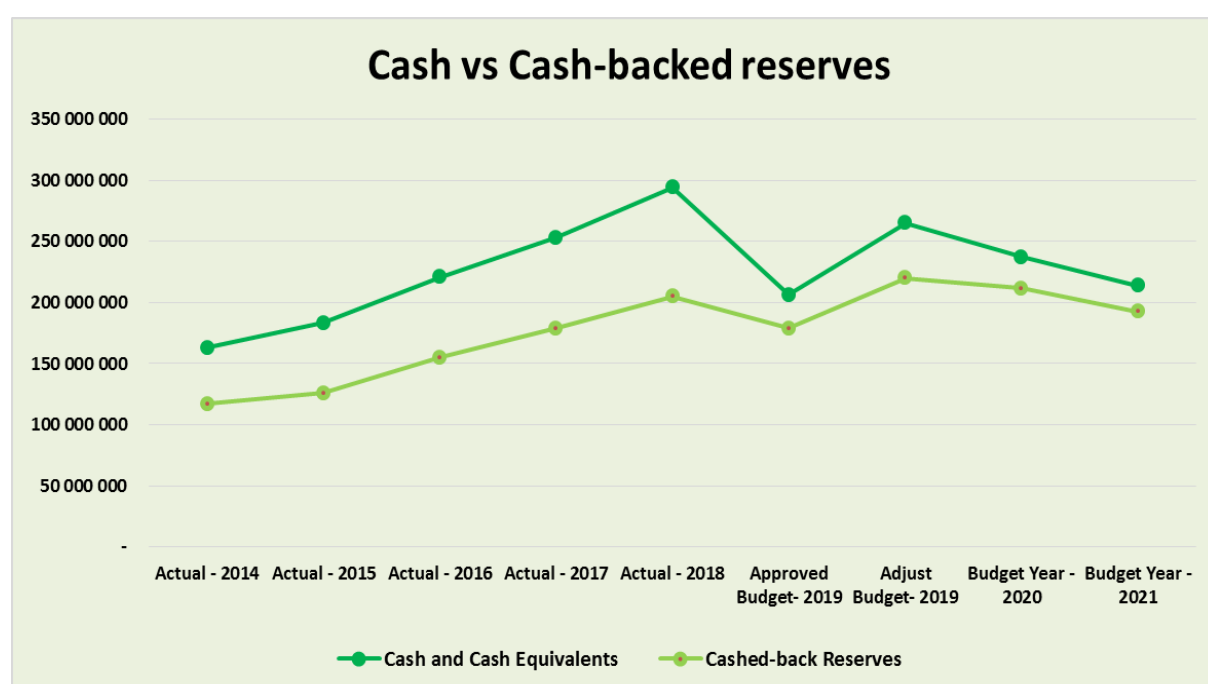
The projected balance of the cash and cash equivalents increased from R206,32m to R265,18m, as a result of an adjustment of R58,86m in the opening balance carried forward from the prior financial year.

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 (R29,69m) as well as a Valuation Roll Reserve of R750 000. In line with the policy the contribution to-and balance of the Capital Replacement Reserve is also sufficiently funded to the amount of R189,43m. Included in Reserves is also the Revaluation Reserve of R59,75m 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 significant 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 2018/2019

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 2018/2019; and indicative for the two projected years 2019/20 and 2020/21, 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	2018/2019 Original Budget	2018/2019 Adjustments Budget	2019/2020 Budget	2020/2021 Budget
Revenue	269 054	276 307	276 678	296 027
Expenditure	236 264	241 188	255 696	271 488
Surplus/(Deficit)	32 790	35 119	20 982	24 539
Less: Capital Grants	(44 850)	(48 582)	(39 761)	(43 481)
Deficit excluding capital grants	(12 060)	(13 410)	(18 779)	(18 941)

CAPITAL BUDGET (R'000)

Objective	2018/2019 Original Budget	2018/2019 Adjustments Budget	2019/2020 Budget	2020/2021 Budget
Governance and Admin	7 103	8 141	6 033	4 000
Community and Safety Services	11 582	7 944	10 057	744
Economic Services	25 714	29 483	21 300	25 451
Trading Services	33 168	34 327	37 671	45 437
Total	77 567	79 895	75 061	75 632

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

Funding Source	2018/2019 Original Budget	2018/2019 Adjustments Budget	2019/2020 Budget	2020/2021 Budget
National Government	41 850	45 528	39 761	43 481
Provincial Government	3 000	3 000	-	-
Own Funds	32 717	31 367	35 300	32 151
Total	77 567	79 895	75 061	75 632

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 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	G	H		
<u>Financial Performance</u>					
Property rates	8 147	100	8 247	8 741	9 266
Service charges	50 813	–	50 813	53 862	57 094
Investment revenue	15 000	–	15 000	15 900	16 854
Transfers recognised - operational	144 318	–	144 318	151 683	162 198
Other own revenue	5 926	3 475	9 401	6 730	7 134
Total Revenue (excluding capital transfers and contributions)	224 204	3 575	227 779	236 917	252 546
Employee costs	87 122	(1 887)	85 236	90 414	95 892
Remuneration of councillors	13 355	(400)	12 955	13 733	14 557
Depreciation & asset impairment	22 290	(2 018)	20 272	21 488	22 777
Finance charges	3 163	(148)	3 016	3 381	3 752
Materials and bulk purchases	47 686	2 228	49 914	52 872	56 044
Transfers and grants	290	296	586	621	658
Other expenditure	62 358	6 852	69 210	73 188	77 807
Total Expenditure	236 264	4 924	241 188	255 696	271 488
Surplus/(Deficit)	(12 060)	(1 350)	(13 410)	(18 779)	(18 941)
Transfers recognised - capital	44 850	3 678	48 528	39 761	43 481
Surplus/ (Deficit) for the year	32 790	2 328	35 119	20 982	24 539
<u>Capital expenditure & funds sources</u>					
Capital expenditure	77 567	2 328	79 895	75 061	75 632
Transfers recognised - capital	44 850	3 678	48 528	39 761	43 481
Internally generated funds	32 717	(1 350)	31 367	35 300	32 151
Total sources of capital funds	77 567	2 328	79 895	75 061	75 632
<u>Financial position</u>					
Total current assets	233 392	56 106	289 498	261 259	237 832
Total non current assets	461 923	17 371	479 294	532 867	585 721
Total current liabilities	33 062	2 448	35 511	37 261	39 128
Total non current liabilities	36 564	(3 982)	32 583	35 184	38 205
Community wealth/Equity	625 688	75 010	700 699	721 681	746 220

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	G	H		
<u>Cash flows</u>					
Net cash from (used) operating	57 062	(5 482)	51 580	47 722	53 305
Net cash from (used) investing	(77 567)	(2 328)	(79 895)	(75 061)	(75 632)
Net cash from (used) financing	(766)	3	(763)	(773)	(784)
Cash/cash equivalents at the year end	206 321	58 861	265 182	237 069	213 958
<u>Cash backing/surplus reconciliation</u>					
Cash and investments available	206 321	58 861	265 182	237 069	213 958
Application of cash and investments	175 690	56 912	232 602	225 154	207 877
Balance - surplus (shortfall)	30 631	1 949	32 579	11 915	6 081
<u>Asset Management</u>					
Asset register summary (WDV)	460 637	14 319	474 956	528 529	581 383
Depreciation & asset impairment	22 290	(2 018)	20 272	21 488	22 777
Renewal of Existing Assets	8 500	(1 130)	7 370	13 933	4 000
Repairs and Maintenance	10 288	721	11 009	11 606	12 302
<u>Free services</u>					
Cost of Free Basic Services provided	571	–	571	605	642
Revenue cost of free services provided	2 044	–	2 044	2 166	2 296
<u>Households below minimum service level</u>					
Energy:	8	–	8	8	9
Refuse:	38	–	38	40	43

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

Standard Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Revenue - Functional</u>					
<i>Governance and administration</i>	110 146	3 399	113 545	118 155	126 077
Executive and council	7 015	–	7 015	7 362	7 711
Finance and administration	103 131	3 399	106 530	110 793	118 366
<i>Community and public safety</i>	1 714	9	1 723	1 737	1 751
Community and social services	1 631	–	1 631	1 639	1 647
Sport and recreation	–	8	8	8	9
Public safety	83	1	84	89	95
<i>Economic and environmental services</i>	45 994	3 127	49 121	41 209	43 394
Planning and development	2 029	20	2 049	2 095	2 206
Road transport	43 965	3 107	47 072	39 114	41 188
<i>Trading services</i>	111 197	718	111 915	115 574	124 802
Energy sources	74 745	718	75 463	76 533	83 075
Waste management	36 452	–	36 452	39 042	41 727
<i>Other</i>	3	–	3	3	3
Total Revenue - Functional	269 054	7 253	276 307	276 678	296 027
<u>Expenditure - Functional</u>					
<i>Governance and administration</i>	94 073	2 446	96 519	102 073	108 256
Executive and council	27 831	(242)	27 589	29 255	31 020
Finance and administration	63 444	2 744	66 188	69 911	74 153
Internal audit	2 798	(57)	2 741	2 907	3 083
<i>Community and public safety</i>	11 973	1 751	13 724	14 489	15 363
Community and social services	9 154	705	9 860	10 455	11 086
Sport and recreation	1 891	176	2 067	2 128	2 256
Public safety	928	870	1 798	1 906	2 021
<i>Economic and environmental services</i>	43 868	(1 663)	42 204	44 753	47 451
Planning and development	16 409	680	17 089	18 123	19 218
Road transport	27 309	(2 360)	24 948	26 452	28 045
Environmental protection	150	17	167	177	188
<i>Trading services</i>	84 586	2 478	87 063	92 602	98 530
Energy sources	49 453	2 733	52 186	55 592	59 247
Waste water management	3 956	280	4 236	4 490	4 760
Waste management	31 176	(535)	30 642	32 519	34 523
<i>Other</i>	1 765	(87)	1 678	1 780	1 887
Total Expenditure - Functional	236 264	4 924	241 188	255 696	271 488
Surplus/ (Deficit) for the year	32 790	2 328	35 119	20 982	24 539

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

Vote Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Revenue by Vote</u>					
Vote 1 - Executive & Council	7 015	–	7 015	7 362	7 711
Vote 2 - Planning & Development	1 944	–	1 944	1 984	2 088
Vote 3 - Corporate Services	104	3 120	3 224	182	193
Vote 4 - Budget & Treasury	103 112	299	103 411	110 722	118 291
Vote 5 - Road Transport	43 965	3 107	47 072	39 114	41 188
Vote 9 - Community & Social Services	1 634	–	1 634	1 642	1 650
Vote 10 - Sport & Recreation	–	8	8	8	9
Vote 11 - Public Safety	83	1	84	89	95
Vote 12 - Electricity	74 745	718	75 463	76 533	83 075
Vote 13 - Waste Management	36 452	–	36 452	39 042	41 727
Total Revenue by Vote	269 054	7 253	276 307	276 678	296 027
<u>Expenditure by Vote</u>					
Vote 1 - Executive & Council	30 629	(299)	30 330	32 162	34 103
Vote 2 - Planning & Development	18 891	592	19 483	20 662	21 910
Vote 3 - Corporate Services	32 002	1 900	33 901	35 944	38 108
Vote 4 - Budget & Treasury	30 197	854	31 051	32 656	34 655
Vote 5 - Road Transport	27 309	(2 360)	24 948	26 452	28 045
Vote 6 - Waste Water Management	3 956	280	4 236	4 490	4 760
Vote 9 - Community & Social Services	9 833	714	10 547	11 184	11 859
Vote 10 - Sport & Recreation	1 891	176	2 067	2 128	2 256
Vote 11 - Public Safety	789	956	1 745	1 850	1 962
Vote 12 - Electricity	49 453	2 733	52 186	55 592	59 247
Vote 13 - Waste Management	31 315	(621)	30 694	32 575	34 583
Total Expenditure by Vote	236 264	4 924	241 188	255 696	271 488
Surplus/ (Deficit) for the year	32 790	2 328	35 119	20 982	24 539

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

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Revenue By Source</u>					
Property rates	8 147	100	8 247	8 741	9 266
Service charges - electricity revenue	41 712	–	41 712	44 215	46 868
Service charges - refuse revenue	9 101	–	9 101	9 647	10 226
Rental of facilities and equipment	95	15	110	116	123
Interest earned - external investments	15 000	–	15 000	15 900	16 854
Interest earned - outstanding debtors	2 226	40	2 266	2 402	2 546
Fines, penalties and forfeits	57	101	158	168	178
Licences and permits	1 119	2	1 121	1 189	1 260
Agency services	843	100	943	999	1 059
Transfers and subsidies	144 318	–	144 318	151 683	162 198
Other revenue	1 586	3 217	4 803	1 857	1 968
Total Revenue (excluding capital transfers and contributions)	224 204	3 575	227 779	236 917	252 546
<u>Expenditure By Type</u>					
Employee related costs	87 122	(1 887)	85 236	90 414	95 892
Remuneration of councillors	13 355	(400)	12 955	13 733	14 557
Debt impairment	4 963	1 000	5 963	6 461	7 076
Depreciation & asset impairment	22 290	(2 018)	20 272	21 488	22 777
Finance charges	3 163	(148)	3 016	3 381	3 752
Bulk purchases	34 506	1 184	35 691	37 832	40 102
Other materials	13 179	1 044	14 223	15 040	15 942
Contracted services	28 298	5 014	33 312	35 067	37 171
Transfers and subsidies	290	296	586	621	658
Other expenditure	29 097	838	29 935	31 660	33 559
Total Expenditure	236 264	4 924	241 188	255 696	271 488
Surplus/(Deficit)	(12 060)	(1 350)	(13 410)	(18 779)	(18 941)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	44 850	3 678	48 528	39 761	43 481
Surplus/ (Deficit) for the year	32 790	2 328	35 119	20 982	24 539

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

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Capital expenditure - Vote</u>					
<u>Multi-year expenditure to be adjusted</u>					
Vote 3 - Corporate Services	4 500	1 410	5 910	6 033	4 000
Vote 5 - Road Transport	20 204	4 695	24 899	20 600	24 351
Vote 9 - Community & Social Services	2 000	(800)	1 200	4 426	–
Vote 10 - Sport & Recreation	–	791	791	3 700	–
Vote 11 - Public Safety	–	5 000	5 000	1 931	–
Vote 12 - Electricity	8 183	878	9 061	6 139	1 900
Vote 13 - Waste Management	11 621	11 432	23 053	29 132	43 000
Capital multi-year expenditure sub-total	46 508	23 406	69 914	71 961	73 251
<u>Single-year expenditure to be adjusted</u>					
Vote 1 - Executive & Council	935	159	1 094	–	–
Vote 2 - Planning & Development	150	34	184	–	600
Vote 3 - Corporate Services	1 122	(829)	293	–	–
Vote 4 - Budget & Treasury	546	298	844	–	–
Vote 5 - Road Transport	5 360	(960)	4 401	700	500
Vote 9 - Community & Social Services	–	159	159	–	744
Vote 10 - Sport & Recreation	1 950	(1 726)	224	–	–
Vote 11 - Public Safety	7 632	(7 062)	570	–	–
Vote 12 - Electricity	1 884	(131)	1 753	–	537
Vote 13 - Waste Management	11 480	(11 021)	459	2 400	–
Capital single-year expenditure sub-total	31 059	(21 079)	9 981	3 100	2 381
Total Capital Expenditure - Vote	77 567	2 328	79 895	75 061	75 632
<u>Capital Expenditure - Functional</u>					
<i>Governance and administration</i>	7 103	1 038	8 141	6 033	4 000
Executive and council	335	359	694	–	–
Finance and administration	6 168	879	7 047	6 033	4 000
Internal audit	600	(200)	400	–	–
<i>Community and public safety</i>	11 582	(3 638)	7 944	10 057	744
Community and social services	2 000	(641)	1 359	4 426	744
Sport and recreation	1 950	(935)	1 015	3 700	–
Public safety	7 632	(2 062)	5 570	1 931	–
<i>Economic and environmental services</i>	25 714	3 769	29 483	21 300	25 451
Planning and development	150	34	184	–	600
Road transport	25 564	3 736	29 300	21 300	24 851
<i>Trading services</i>	33 168	1 159	34 327	37 671	45 437
Energy sources	10 067	748	10 815	6 139	2 437
Waste management	23 101	411	23 512	31 532	43 000
Total Capital Expenditure - Functional	77 567	2 328	79 895	75 061	75 632
<u>Funded by:</u>					
National Government	41 850	3 678	45 528	39 761	43 481
Provincial Government	3 000	–	3 000	–	–
Transfers recognised - capital	44 850	3 678	48 528	39 761	43 481
Internally generated funds	32 717	(1 350)	31 367	35 300	32 151
Total Capital Funding	77 567	2 328	79 895	75 061	75 632

Table B6 - Adjustments Budgeted Financial Position

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
ASSETS					
Current assets					
Cash	36 753	23 883	60 636	52 978	48 276
Call investment deposits	169 567	34 978	204 545	184 091	165 682
Consumer debtors	13 550	(3 212)	10 338	10 390	10 216
Other debtors	12 630	458	13 088	13 088	13 088
Inventory	891	–	891	713	570
Total current assets	233 392	56 106	289 498	261 259	237 832
Non current assets					
Investment property	33 541	(166)	33 375	33 375	33 375
Property, plant and equipment	426 143	17 889	444 032	497 729	550 715
Intangible	953	(352)	601	477	346
Other non-current assets	1 286	–	1 286	1 286	1 286
Total non current assets	461 923	17 371	479 294	532 867	585 721
TOTAL ASSETS	695 315	73 477	768 792	794 126	823 553
LIABILITIES					
Current liabilities					
Borrowing	855	–	855	871	887
Consumer deposits	1 579	63	1 642	1 724	1 811
Trade and other payables	19 131	1 397	20 529	21 091	21 717
Provisions	11 497	988	12 484	13 576	14 713
Total current liabilities	33 062	2 448	35 511	37 261	39 128
Non current liabilities					
Borrowing	9 505	–	9 505	8 634	7 747
Provisions	27 060	(3 982)	23 078	26 550	30 458
Total non current liabilities	36 564	(3 982)	32 583	35 184	38 205
TOTAL LIABILITIES	69 627	(1 534)	68 093	72 445	77 333
NET ASSETS	625 688	75 010	700 699	721 681	746 220
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)	398 179	22 905	421 084	446 175	486 912
Reserves	227 510	52 105	279 615	275 506	259 308
TOTAL COMMUNITY WEALTH/EQUITY	625 688	75 010	700 699	721 681	746 220

Table B7 - Adjustments Budgeted Cash Flows

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	7 199	223	7 422	7 867	8 339
Service charges	44 903	829	45 732	48 476	51 384
Other revenue	3 689	2 423	6 112	6 479	6 867
Government - operating	144 318	–	144 318	151 683	162 198
Government - capital	44 850	3 678	48 528	39 761	43 481
Interest	16 967	(1 967)	15 000	15 900	16 854
Payments					
Suppliers and employees	(201 411)	(10 520)	(211 930)	(218 442)	(231 409)
Finance charges	(3 163)	148	(3 016)	(3 381)	(3 752)
Transfers and Grants	(290)	(296)	(586)	(621)	(658)
NET CASH FROM/(USED) OPERATING ACTIVITIES	57 062	(5 482)	51 580	47 722	53 305
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments					
Capital assets	(77 567)	(2 328)	(79 895)	(75 061)	(75 632)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(77 567)	(2 328)	(79 895)	(75 061)	(75 632)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase (decrease) in consumer deposits	75	3	78	82	86
Payments					
Repayment of borrowing	(841)	–	(841)	(855)	(871)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(766)	3	(763)	(773)	(784)
NET INCREASE/ (DECREASE) IN CASH HELD	(21 271)	(7 807)	(29 078)	(28 112)	(23 111)
Cash/cash equivalents at the year begin:	227 591	66 668	294 259	265 182	237 069
Cash/cash equivalents at the year end:	206 321	58 861	265 182	237 069	213 958

Table B8 - Adjustments Cash backed reserves/accumulated surplus reconciliation

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Cash and investments available</u>					
Cash/cash equivalents at the year end	206 321	58 861	265 182	237 069	213 958
Cash and investments available:	206 321	58 861	265 182	237 069	213 958
<u>Applications of cash and investments</u>					
Unspent conditional transfers	9 678	525	10 203	10 203	10 203
Other working capital requirements	(13 058)	3 104	(9 954)	(10 385)	(9 601)
Other provisions	–	12 484	12 484	13 576	14 713
Reserves to be backed by cash/investments	179 070	40 799	219 868	211 759	192 562
Total Application of cash and investments:	175 690	56 912	232 602	225 154	207 877
Surplus(shortfall)	30 631	1 949	32 579	11 915	6 081

Table B9 - Adjustments Budget Asset Management

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
CAPITAL EXPENDITURE					
<u>Total New Assets to be adjusted</u>	58 766	579	59 345	51 696	57 632
Roads Infrastructure	25 454	3 746	29 200	20 900	22 851
Electrical Infrastructure	8 283	945	9 228	6 139	2 437
Solid Waste Infrastructure	12 120	(2 107)	10 013	22 500	31 000
Infrastructure	45 857	2 584	48 441	49 539	56 288
Community Facilities	7 712	(2 162)	5 550	2 157	1 344
Sport and Recreation Facilities	250	(26)	224	–	–
Community Assets	7 962	(2 188)	5 774	2 157	1 344
Operational Buildings	200	220	420	–	–
Other Assets	200	220	420	–	–
Licences and Rights	600	(200)	400	–	–
Intangible Assets	600	(200)	400	–	–
Computer Equipment	1 137	705	1 842	–	–
Furniture and Office Equipment	110	–	110	–	–
Machinery and Equipment	1 200	(342)	858	–	–
Transport Assets	1 700	(200)	1 500	–	–
<u>Total Renewal of Existing Assets to be adjusted</u>	8 500	(1 130)	7 370	13 933	4 000
Community Facilities	2 100	(680)	1 420	5 400	–
Sport and Recreation Facilities	1 100	(800)	300	2 500	–
Community Assets	3 200	(1 480)	1 720	7 900	–
Operational Buildings	5 300	350	5 650	6 033	4 000
Other Assets	5 300	350	5 650	6 033	4 000
<u>Total Upgrading of Existing Assets to be adjusted</u>	10 301	2 879	13 180	9 432	14 000
Roads Infrastructure	–	–	–	400	2 000
Solid Waste Infrastructure	10 301	2 879	13 180	9 032	12 000
Infrastructure	10 301	2 879	13 180	9 432	14 000
<u>Total Capital Expenditure to be adjusted</u>	25 454	3 746	29 200	21 300	24 851
Roads Infrastructure	8 283	945	9 228	6 139	2 437
Electrical Infrastructure	22 421	772	23 193	31 532	43 000
Solid Waste Infrastructure	56 158	5 463	61 621	58 971	70 288
Infrastructure	9 812	(2 842)	6 970	7 557	1 344
Community Facilities	1 350	(826)	524	2 500	–
Sport and Recreation Facilities	11 162	(3 668)	7 494	10 057	1 344
Community Assets	5 500	570	6 070	6 033	4 000
Operational Buildings	5 500	570	6 070	6 033	4 000
Other Assets	600	(200)	400	–	–
Licences and Rights	600	(200)	400	–	–
Intangible Assets	1 137	705	1 842	–	–
Computer Equipment	110	–	110	–	–
Furniture and Office Equipment	1 200	(342)	858	–	–
Machinery and Equipment	1 700	(200)	1 500	–	–
Transport Assets					
TOTAL CAPITAL EXPENDITURE to be adjusted	77 567	2 328	79 895	75 061	75 632

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
ASSET REGISTER SUMMARY - PPE (WDV)					
<i>Roads Infrastructure</i>	135 865	(5 476)	130 389	142 748	158 121
<i>Storm water Infrastructure</i>	37 400	4 173	41 573	40 091	38 520
<i>Electrical Infrastructure</i>	34 150	(52)	34 098	39 163	40 462
<i>Solid Waste Infrastructure</i>	35 481	(7 229)	28 252	59 537	102 275
Infrastructure	242 896	(8 584)	234 312	281 539	339 378
Community Facilities	29 475	3 057	32 532	38 422	37 998
Sport and Recreation Facilities	25 300	(1 388)	23 912	25 799	25 148
Community Assets	54 775	1 669	56 444	64 220	63 146
Revenue Generating	26 597	(3 218)	23 380	23 380	23 380
Non-revenue Generating	6 944	–	6 944	6 944	6 944
Investment properties	33 541	(3 218)	30 323	30 323	30 323
Operational Buildings	105 129	(3 482)	101 648	106 806	109 878
Other Assets	105 129	(3 482)	101 648	106 806	109 878
Licences and Rights	953	(352)	601	477	346
Intangible Assets	953	(352)	601	477	346
Computer Equipment	3 163	77	3 240	2 359	1 425
Furniture and Office Equipment	1 604	267	1 871	991	58
Machinery and Equipment	12 164	2 035	14 199	11 771	9 199
Transport Assets	6 412	1 013	7 425	5 150	2 738
Land	–	24 893	24 893	24 893	24 893
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	460 637	14 319	474 956	528 529	581 383
EXPENDITURE OTHER ITEMS					
<u>Depreciation & asset impairment</u>	22 290	(2 018)	20 272	21 488	22 777
<u>Repairs and Maintenance by asset class</u>	10 288	721	11 009	11 606	12 302
<i>Roads Infrastructure</i>	2 000	100	2 100	2 226	2 360
<i>Storm water Infrastructure</i>	292	–	292	310	329
<i>Electrical Infrastructure</i>	946	14	961	1 018	1 079
<i>Solid Waste Infrastructure</i>	238	0	239	253	268
Infrastructure	3 477	115	3 592	3 807	4 036
Community Facilities	1 933	36	1 969	2 087	2 213
Sport and Recreation Facilities	122	59	181	128	136
Community Assets	2 055	95	2 150	2 215	2 348
Operational Buildings	934	108	1 042	1 105	1 171
Other Assets	934	108	1 042	1 105	1 171
Furniture and Office Equipment	415	100	515	546	579
Machinery and Equipment	1 275	124	1 398	1 482	1 571
Transport Assets	2 132	179	2 311	2 450	2 597
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	32 578	(1 297)	31 281	33 094	35 080
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	24.2%		25.7%	31.1%	23.8%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>	84.3%		101.4%	108.7%	79.0%
<i>R&M as a % of PPE</i>	2.2%		2.3%	2.2%	2.1%
<i>Renewal and upgrading and R&M as a % of PPE</i>	6.3%		6.6%	6.6%	5.2%

Table B10 - Adjustments Budget Basic service delivery measurement

Description	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<u>Household service targets</u>					
<u>Energy:</u>					
Electricity (at least min. service level)	33 149	–	33 149	35 138	37 246
Electricity - prepaid (> min.service level)	1 094	–	1 094	1 160	1 230
<i>Minimum Service Level and Above sub-total</i>	34 243	–	34 243	36 298	38 476
Other energy sources	7 981	–	7 981	8 460	8 967
<i>Below Minimum Servic Level sub-total</i>	7 981	–	7 981	8 460	8 967
Total number of households	42 224	–	42 224	44 758	47 443
<u>Refuse:</u>					
Removed at least once a week (min.service)	5 700	–	5 700	6 042	6 405
Minimum Service Level and Above sub-total	5 700	–	5 700	6 042	6 405
Using communal refuse dump	38 055	–	38 055	40 338	42 758
<i>Below Minimum Service Level sub-total</i>	38 055	–	38 055	40 338	42 758
Total number of households	43 755	–	43 755	46 380	49 163
<u>Cost of Free Basic Services provided (R'000)</u>					
Electricity/other energy (50kw h per indigent household per month)	571	–	571	605	642
Total cost of FBS provided	571	–	571	605	642
<u>Highest level of free service provided</u>					
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
<u>Revenue cost of free services provided (R'000)</u>					
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	2 044	–	2 044	2 166	2 296
Total revenue cost of subsidised services provided	2 044	–	2 044	2 166	2 296

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;

R '000	2018/2019 Original Budget	2018/2019 Adjustments Budget	2019/2020 Budget	2020/2021 Budget
Investment Interest	15 000	15 000	15 900	16 854

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 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Vote 2 - Planning & Development						
Function 1 - Community						
Sub-function 1 - Other						
Hawker Stalls	Completion of project	–	–	–	–	600
Vote 3 - Corporate Services						
Function 1 - Buildings						
Sub-function 1 - Other Buildings						
Upgrade Second Floor Building	Completion of project	4 500	1 000	5 500	5 533	4 000
Parking bay	Completion of project	–	260	260	–	–
Renovations Mayoral Residence	Completion of project	800	(650)	150	500	–
Vote5 - Road Transport						
Function 1 - Roads						
Sub-function 1 - Acces Roads						
Construction of 6 km Access Roads with Storm Water control W1	Completion of project to the specification of the engineers	4 800	(2 800)	2 000	2 000	3 000
Construction of 6 km Access Roads with Storm Water control W2	Completion of project to the specification of the engineers	550	(196)	354	3 100	2 000
Construction of 6 km Access Roads with Storm Water control W4	Completion of project to the specification of the engineers	–	–	–	–	550
Construction of 6 km Access Roads with Storm Water control W7	Completion of project to the specification of the engineers	700	(500)	200	2 000	2 000
Tienbank Property Access Construction	Completion of project to the specification of the engineers	750	(500)	250	1 100	–
Sub-function 2 - Surfaced Roads						
Herschel Paved Roads	Completion of project to the specification of the engineers	–	770	770	–	–
Tienbank Paved Roads	Completion of project to the specification of the engineers	200	3 970	4 170	–	–
Roads between Esilindini and Frans	Completion of project to the specification of the engineers	4 600	(2 600)	2 000	2 000	2 000
New Rest Construction - Paving	Completion of project to the specification of the engineers	–	–	–	400	2 000
Barkly East Pavements	Completion of project to the specification of the engineers	3 500	201	3 701	–	–
Construction of interlock paved road in Lady Grey (Kwezi, Steve & Transwilger)	Completion of project to the specification of the engineers	–	–	–	700	500
Thaba Lesoba – Marallaneng –Trusting	Completion of project to the specification of the engineers	–	–	–	2 000	5 000
Boysi Nondala Paved Roads	Completion of project to the specification of the engineers	9 354	4 514	13 868	8 000	7 801
Function 2 - Bridges						
Sub-function 1 - Bridges						
Bridge Ward 5	Completion of project to the specification of the engineers	–	887	887	–	–
Vote9 - Community & Social Services						
Function 1 - Community Halls						
Sub-function 1 - Buildings						
Renovations (Barkly East Town Hall)	Renovation of the hall to specifications	1 500	(600)	900	4 200	–
Renovations Fairview Community Hall	Renovation of the hall to specifications	–	–	–	–	–
Function 2 - Cemeteries						
Sub-function 1 - Cemeteries						
Construction of New Cemetery in Barkly East	Completion of project to the specification of the engineers	500	(200)	300	226	–
EIA & construction of Naledi, Herschel, Zava, Thabakoloi, Nkopane, Khiba cemeteries	Completion of project to the specification of the engineers	–	–	–	–	744

Description	Unit of measurement	Budget Year 2018/19			Budget Year +1 2019/20	Budget Year +2 2020/21
		Original Budget A	Total Adjusts. G	Adjusted Budget H	Adjusted Budget	Adjusted Budget
Vote10 - Sport & Recreation						
Function 1 - Sport Facilities						
Sub-function 1 - Sport Facilities						
<i>Kwezi Naledi Sportsfields Fence</i>	Fully functional sport facilities	1 100	(800)	300	2 500	–
Function 2 - Parks and Gardens						
Sub-function 1 - Parks and Gardens						
<i>Renovations Kwezi Naledi Node</i>	Completion of project to the specification of the engineers	600	(200)	400	1 200	–
Vote11 - Public Safety						
Function 1 - Public Safety						
Sub-function 1 - Pounds						
<i>Construction of Lady Grey Animal Pound</i>	Fully functional animal pound	7 212	(2 212)	5 000	1 931	–
Vote12 - Electricity						
Function 1 - Electricity distribution						
Sub-function 1 - Infrastructure						
<i>Pre-Paid Electricity Meters</i>	Completion of project to the specification of the engineers	2 200	(500)	1 700	1 800	1 900
<i>DOE Projects - Pre Engineering Costs - Rural Connections</i>	Completion of project to the specification of the engineers	5 983	1 378	7 361	4 339	–
Function 2 - Street Lighting						
Sub-function 1 - Street Lighting						
<i>Erection & supply of Christmas Lighting (Lady Grey, Barkly East, Sterkspruit & Herschel)</i>	Completion of project to the specification of the engineers	–	–	–	–	2 000
Vote13 - Waste Management						
Function 1 - Refuse						
Sub-function 1 - Waste sites Infrastructure						
<i>Solid Waste Site - Sterkspruit</i>	Completion of project to satisfy specifications of the engineers	1 320	1 050	2 370	3 000	5 000
<i>Solid Waste Site - Herschel</i>	Completion of project to satisfy specifications of the engineers	5 500	(4 950)	550	6 100	10 000
<i>Solid Waste Site - Rossouw</i>	Completion of project to satisfy specifications of the engineers	3 800	(3 450)	350	5 400	8 000
<i>Solid Waste Site - Rhodes</i>	Completion of project to satisfy specifications of the engineers	1 500	(1 150)	350	8 000	8 000
<i>Upgrade BE Solid Waste Site</i>	Completion of project to satisfy specifications of the engineers	5 500	3 532	9 032	6 250	12 000
<i>Upgrade LG Solid Waste Site</i>	Completion of project to satisfy specifications of the engineers	4 801	(653)	4 148	2 782	–
<i>Old Sterkspruit SWS Compliance & Rehabilitation Construction</i>	Completion of project to satisfy specifications of the engineers	–	6 253	6 253	–	–

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