

Senqu Municipality

Special Adjustment Budget

2020/21 - 2022/23

Adjusted Medium Term Revenue
and Expenditure Framework

(September 2020)



Table of Contents

Table of Contents	1
Glossary	2
PART 1 - ANNUAL BUDGET	4
Section 1 - Mayor's Report	4
Section 2 - Budget Related Resolutions	14
Section 3 - Executive Summary	15
Section 4 - Adjustment budget tables.....	17
PART 2 - SUPPORTING DOCUMENTATION	28
Section 5 - Measurable performance objectives and indicators	29
Section 6 - Budget related policies	29
Section 7 - Overview of budget assumptions.....	29
Section 8 - Funding compliance	29
Section 9 - Overview of budget funding	30
Section 10 - Expenditure on allocations and grant programmes.....	32
Section 11 - Allocations and grants made by the Municipality	32
Section 12 - Councillor allowances and employee benefits	33
Section 13 - Monthly targets for revenue, expenditure and cash flow	33
Section 14 - Adjustments to the quarterly service delivery and budget implementation plans - internal departments.....	33
Section 15 - Annual budgets and service delivery agreements - municipal entities and other external mechanisms	35
Section 16 - Contracts having future budgetary implications	36
Section 17 - Capital expenditure details	36
Section 18 - Municipal Manager's quality certification.....	37

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 2020/2021 Special Adjustment Budget to the Council for approval.

In order to submit a report to Council to consider possible adjustments to the MTREF, the stipulations of Section 28 of the MFMA need to be highlighted.

Section 28 of the MFMA state that 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.

A special national gazette was promulgated with an additional equitable share grant allocation to Senqu Municipality. In line with the MFMA and in response to the current Covid-19 pandemic, the 2020/21 approved Budget has now been adjusted to accommodate the additional grant allocation.

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 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Revenue By Source</u>					
Property rates	9 048	–	9 048	9 591	10 166
Service charges - electricity revenue	43 365	–	43 365	45 967	48 725
Service charges - refuse revenue	10 226	–	10 226	10 840	11 490
Rental of facilities and equipment	123	–	123	131	139
Interest earned - external investments	18 800	–	18 800	18 500	18 500
Interest earned - outstanding debtors	2 546	–	2 546	2 699	2 861
Fines, penalties and forfeits	177	–	177	187	199
Licences and permits	1 260	–	1 260	1 335	1 416
Agency services	1 059	–	1 059	1 123	1 190
Transfers and subsidies	166 246	30 504	196 750	173 184	180 729
Other revenue	1 968	–	1 968	2 086	2 211
Total Revenue (excluding capital transfers and contributions)	254 819	30 504	285 323	265 643	277 625
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	36 332	–	36 332	41 096	42 458
Total Revenue	291 150	30 504	321 654	306 739	320 083

Transfers and subsidies

National government has allocated an additional R30,5 million Equitable Share grant for 2020/2021 to the municipality to assist in responding to the current Covid-19 pandemic.

Senqu municipality is to a very large degree dependent on grants (Equitable share) to sustain the budget. The unconditional Equitable Share Grant is growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis.

Operating Expenditure

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

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Expenditure By Type					
Employee related costs	100 989	-	100 989	107 026	113 677
Remuneration of councillors	14 468	-	14 468	15 336	16 256
Debt impairment	7 633	5 000	12 633	8 057	8 585
Depreciation & asset impairment	21 432	-	21 432	22 624	24 105
Finance charges	3 188	-	3 188	3 366	3 586
Bulk purchases	39 029	2 500	41 529	41 058	44 712
Other materials	17 135	1 500	18 635	17 190	18 806
Contracted services	34 186	-	34 186	32 751	33 994
Transfers and subsidies	48	-	48	-	-
Other expenditure	37 575	5 000	42 575	37 399	39 758
Total Expenditure	275 683	14 000	289 683	284 806	303 480

The nett increase in the operating expenditure budget for 2020/2021 amounts R14 million. These material adjustments are briefly discussed below:

Debt Impairment

An increase of R5 million for Debt impairment is proposed in the current budget to compensate for the decline experienced in revenue lost as a result of the Covid-19 pandemic.

Bulk purchases

Bulk purchases increased with R2,5 million to provide for the increasing needs of Indigents caused by the Covid-19 pandemic.

Other materials

An increase of R1,5 million on Other materials is proposed for 2020/2021. This increase is due to the need for additional consumable materials for the increasing amount of Indigents caused by the Covid-19 pandemic.

The cost associated with indigent subsidies amounts to R16,9 million for 2020/21. 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.

Other expenditure

Other expenditure increased with R5 million. This increase provides for the rental of two compactors for the Herschel and the Barkly East solid waste sites to ensure legislative compliance in terms of the Environmental Management Act.

Capital Budget

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

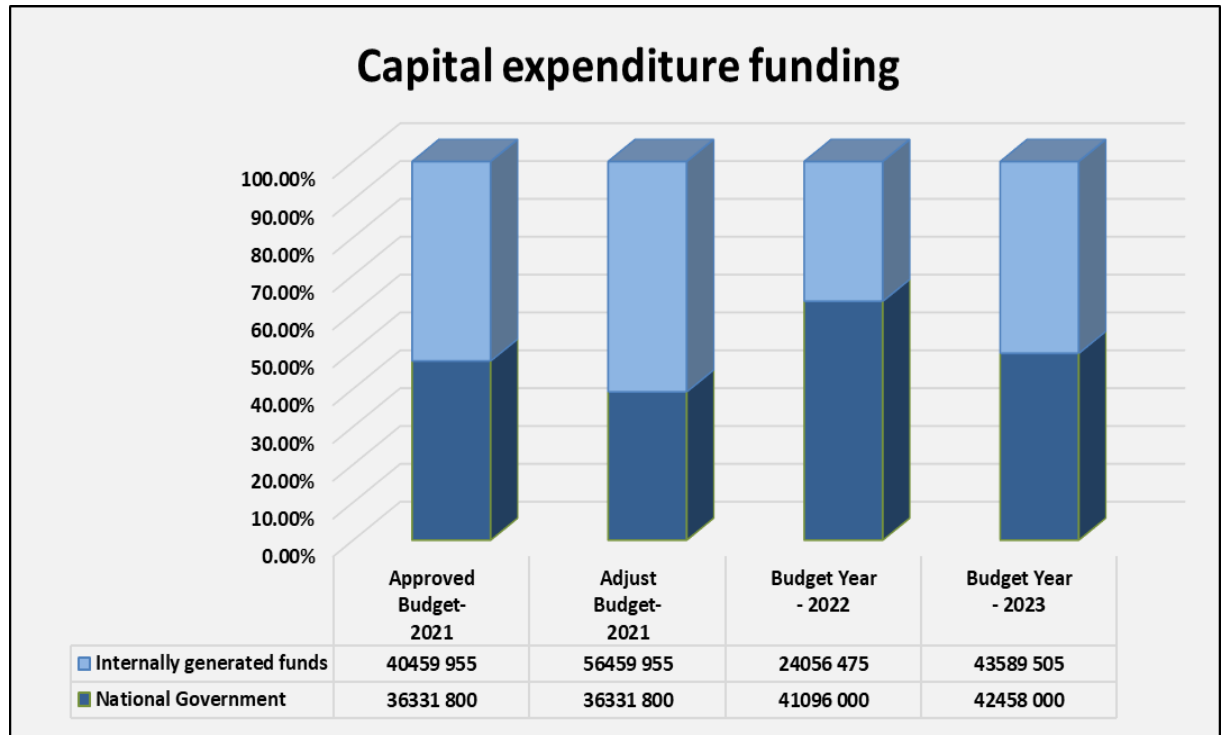
Description	Budget Year 2020/21			Budget Year +1	Budget Year +2
	Original Budget	Total Adjusts.	Adjusted Budget	2021/22	2022/23
R thousands					
CAPITAL EXPENDITURE					
TOTAL CAPITAL EXPENDITURE	76 792	16 000	92 792	65 152	86 048
<i>Roads Infrastructure</i>	19 581	10 000	29 581	19 282	35 478
<i>Storm water Infrastructure</i>	-	-	-	878	23 067
<i>Electrical Infrastructure</i>	2 288	-	2 288	4 194	3 403
<i>Solid Waste Infrastructure</i>	30 555	-	30 555	20 186	18 580
Infrastructure	52 424	10 000	62 424	44 540	80 528
Community Facilities	11 063	5 000	16 063	13 860	3 440
Community Assets	11 063	5 000	16 063	13 860	3 440
Operational Buildings	2 872	1 000	3 872	4 781	-
Other Assets	2 872	1 000	3 872	4 781	-
Licences and Rights	88	-	88	92	96
Intangible Assets	88	-	88	92	96
Computer Equipment	3 370	-	3 370	458	479
Furniture and Office Equipment	300	-	300	241	252
Machinery and Equipment	5 496	-	5 496	1 180	234
Transport Assets	1 178	-	1 178	-	1 019
TOTAL CAPITAL EXPENDITURE	76 792	16 000	92 792	65 152	86 048

The nett effect of the adjustments on the capital budget amounts to an increase of R16 million. This increase is the result of the following items:

- 1) A proposed R10 million for Weighbridges at the Herschel and the Barkly East solid waste sites to ensure legislative compliance in terms of the Environmental Management Act;
- 2) An additional R5 million for the existing Barkly East Cemetery project. This is identified as a priority for the Municipality to ensure sufficient burial space taking Covid-19 related deaths into account;
- 3) A proposed R1 million for the construction of change rooms in Lady Grey and Barkly East to ensure proper sanitation for general assistance as per Covid-19 requirements.

The expected investment in infrastructure remains high, to such an extent that current cash flows cannot sustain it. The municipality is forced to utilise previously accumulated cash reserves to fund part of these projects. Out of the total capital expenditure of R92,79 million for 2020/2021, R56,46 million is funded by 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.

The revised forecasted capital expenditure can be summarised as follows:



Funding and Cash flows

The budget indicates a net cash outflow of R33,73 million, after capital expenditure of R92,79 million has been incurred. Non-cash items such as the Provision for debt impairment of R12,63 million, and depreciation and asset impairment of R21,43 million have been taken into account.

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

Source	2020/2021 Original Budget	2020/2021 Adjustments Budget	2021/2022 Budget	2022/2023 Budget
Generated Operating inflows	35 992	59 843	41 449	40 060
Net Financing outflows	(784)	(784)	(796)	(809)
Net cash inflows	35 208	59 059	40 653	39 251
Outflows - Investment in Assets	(76 792)	(92 792)	(65 152)	(86 048)
Net inflows / (outflows)	(41 584)	(33 733)	(24 500)	(46 796)

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 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Cash and investments available					
Cash/cash equivalents at the year end	254 063	7 850	261 913	237 414	190 618
Cash and investments available:	254 063	7 850	261 913	237 414	190 618
Applications of cash and investments					
Unspent conditional transfers	12 766	-	12 766	12 766	12 766
Other working capital requirements	(4 771)	(1 287)	(6 058)	(11 912)	(15 334)
Other provisions	15 100	-	15 100	16 293	17 517
Reserves to be backed by cash/investments	212 389	(46)	212 343	206 979	170 893
Total Application of cash and investments:	235 484	(1 333)	234 151	224 126	185 841
Surplus(shortfall)	18 579	9 183	27 762	13 288	4 776

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.

The table below gives a breakdown of the various grants and subsidies allocated to the municipality over the medium term (Please note that a portion of the Equitable share grant as per Dora is allocated to “Nat Gov: Councillor Remuneration” grant).

As stated previously in the report, an additional R30,5 million Equitable share grant was allocated to the Municipality to assist in responding to the current Covid-19 pandemic.

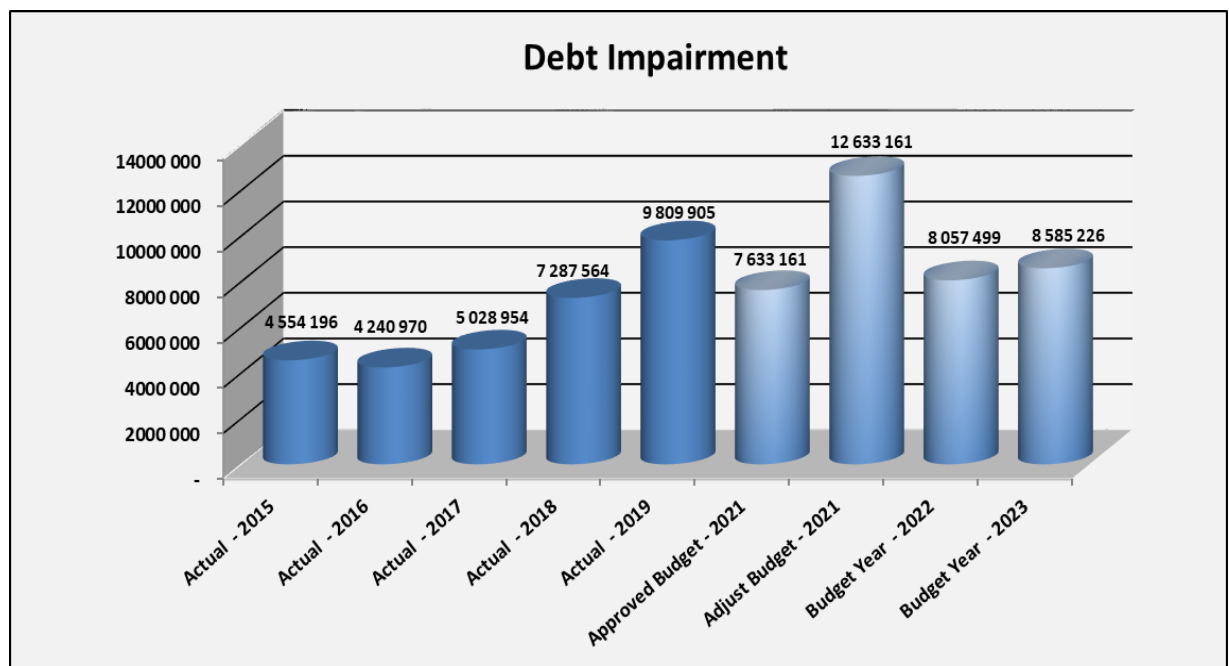
Description	Budget Year 2020/21			Budget Year +1	Budget Year +2
	Original Budget	Total Adjusts.	Adjusted Budget	2021/22	2022/23
R thousands					
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:					
<u>Operating expenditure of Transfers and Grants</u>					
National Government:	164 746	30 504	195 250	171 684	179 229
Local Government Equitable Share	151 263	30 504	181 767	160 362	167 480
Finance Management	1 700	-	1 700	1 700	1 700
Nat Gov: Councillor Remuneration	7 254	-	7 254	7 554	7 867
Municipal Infrastructure Grant (MIG)	1 912	-	1 912	2 068	2 182
EPWP Incentive	2 617	-	2 617	-	-
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:	166 246	30 504	196 750	173 184	180 729
<u>Capital expenditure of Transfers and Grants</u>					
National Government:	36 332	-	36 332	41 096	42 458
Municipal Infrastructure Grant (MIG)	36 332	-	36 332	39 292	41 458
Integrated National Electrification Programme	-	-	-	1 804	1 000
Total capital expenditure of Transfers and Grants	36 332	-	36 332	41 096	42 458
Total capital expenditure of Transfers and Grants	202 578	30 504	233 082	214 280	223 187

It must be noted that the Municipality is grant dependant, as only 30% of the municipality's revenue is from own revenue generated. Therefore, any adverse effect the economic environment may have on the levy and collection of own revenue, will have a minimum impact on the Municipality's financial sustainability as a whole.

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, which is aggravated by impact of the Covid-19 pandemic. 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.

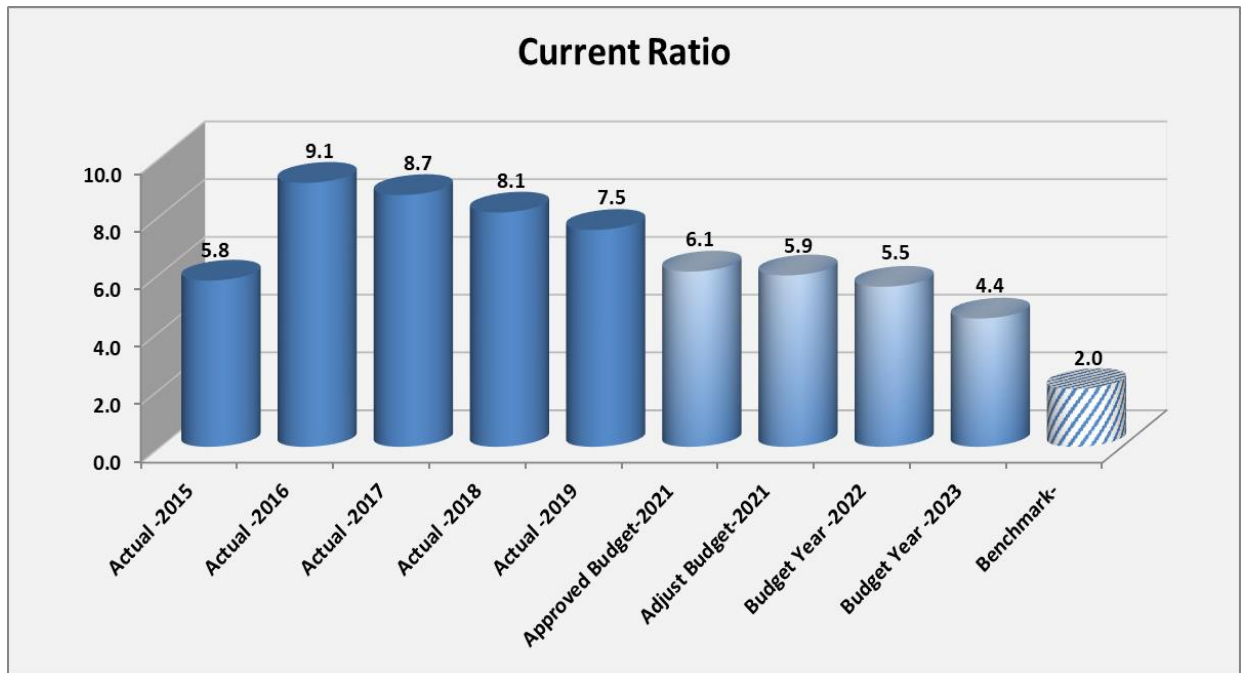
An amount of R12,63 million has been budgeted for bad debts for 2020/2021. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.



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 impact on the long term sustainability of the entity.

Financial Viability and Sustainability

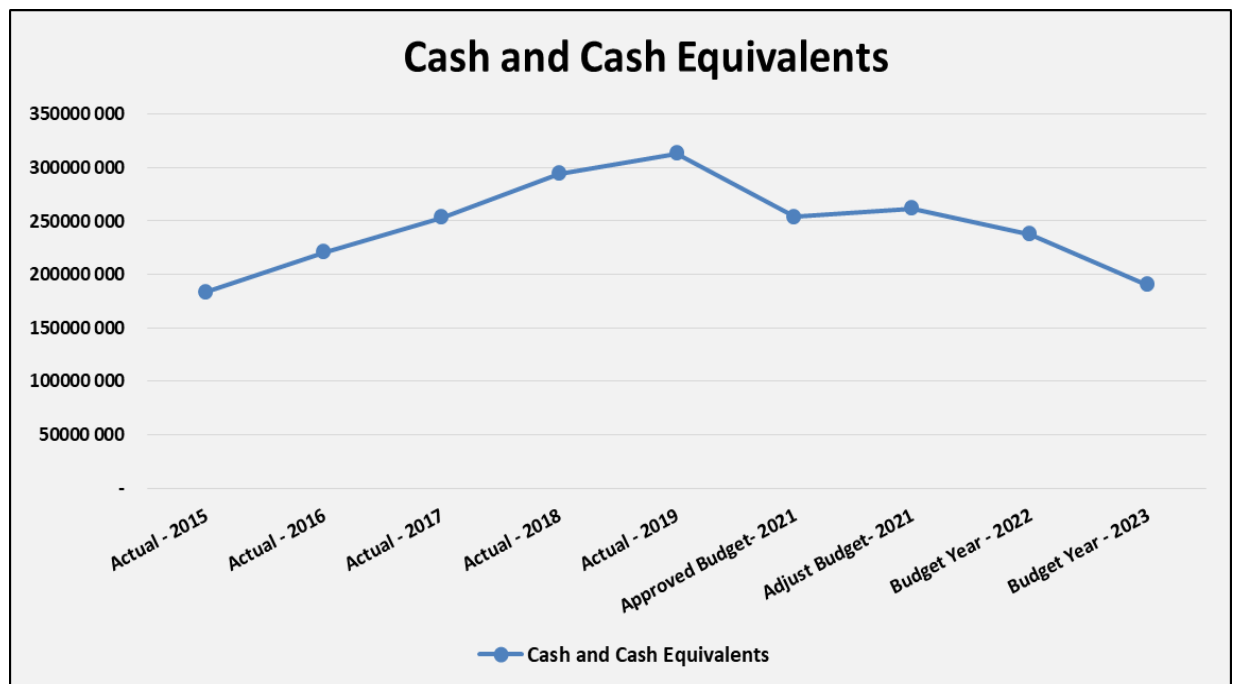
Senqu Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdowns levels.

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 scare commodity in the current economic environment.

The projected balance of the cash and cash equivalents increased from R254,06 million to R261,91 million for 2020/2021 and then decrease to R190,62 million over the MTREF.

The forecast is as follows:



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.

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.

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 2020/2021

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 2020/2021; and indicative for the two projected years 2021/22 and 2022/23, 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

A key consideration for the compilation of the adjustments budget was long term financial sustainability and ensuring that sustainable municipal services are provided economically and equally to all communities.

The new projected forecasts for the MTREF are as follows:

OPERATING BUDGET (R'000)

Type	2020/2021 Original Budget	2020/2021 Adjustments Budget	2021/2022 Budget	2022/2023 Budget
Revenue	291 150	321 654	306 739	320 083
Expenditure	275 683	289 683	284 806	303 480
Surplus/(Deficit)	15 467	31 971	21 933	16 604
Less: Capital Grants	(36 332)	(36 332)	(41 096)	(42 458)
Deficit excluding capital grants	(20 865)	(4 361)	(19 163)	(25 854)

CAPITAL BUDGET (R'000)

Objective	2020/2021 Original Budget	2020/2021 Adjustments Budget	2021/2022 Budget	2022/2023 Budget
Governance and Admin	11 056	12 056	631	659
Community and Safety Services	12 024	17 024	18 641	3 440
Economic Services	20 877	20 877	20 371	36 194
Trading Services	32 836	42 836	25 509	45 754
Total	76 792	92 792	65 152	86 048

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

Funding Source	2020/2021 Original Budget	2020/2021 Adjustments Budget	2021/2022 Budget	2022/2023 Budget
National Government	36 332	36 332	41 096	42 458
Own Funds	40 460	56 460	24 056	43 590
Total	76 792	92 792	65 152	86 048

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 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Financial Performance					
Property rates	9 048	-	9 048	9 591	10 166
Service charges	53 591	-	53 591	56 807	60 215
Investment revenue	18 800	-	18 800	18 500	18 500
Transfers recognised - operational	166 246	30 504	196 750	173 184	180 729
Other own revenue	7 133	-	7 133	7 561	8 015
Total Revenue (excluding capital transfers and contributions)	254 819	30 504	285 323	265 643	277 625
Employee costs	100 989	-	100 989	107 026	113 677
Remuneration of councillors	14 468	-	14 468	15 336	16 256
Depreciation & asset impairment	21 432	-	21 432	22 624	24 105
Finance charges	3 188	-	3 188	3 366	3 586
Materials and bulk purchases	56 163	4 000	60 163	58 247	63 518
Transfers and grants	48	-	48	-	-
Other expenditure	79 394	10 000	89 394	78 207	82 337
Total Expenditure	275 683	14 000	289 683	284 806	303 480
Surplus/(Deficit)	(20 865)	16 504	(4 361)	(19 163)	(25 854)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	36 332	-	36 332	41 096	42 458
Surplus/ (Deficit) for the year	15 467	16 504	31 971	21 933	16 604
Capital expenditure & funds sources					
Capital expenditure	76 792	16 000	92 792	65 152	86 048
Transfers recognised - capital	36 332	-	36 332	41 096	42 458
Internally generated funds	40 460	16 000	56 460	24 056	43 590
Total sources of capital funds	76 792	16 000	92 792	65 152	86 048
Financial position					
Total current assets	281 143	1 859	283 002	264 331	223 671
Total non current assets	566 969	16 000	582 969	625 498	687 440
Total current liabilities	46 330	1 355	47 684	47 702	50 374
Total non current liabilities	34 525	-	34 525	36 433	38 438
Community wealth/Equity	767 258	16 504	783 762	805 695	822 299

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
<u>Cash flows</u>					
Net cash from (used) operating	35 992	23 850	59 843	41 449	40 060
Net cash from (used) investing	(76 792)	(16 000)	(92 792)	(65 152)	(86 048)
Net cash from (used) financing	(784)	-	(784)	(796)	(809)
Cash/cash equivalents at the year end	254 063	7 850	261 913	237 414	190 618
<u>Cash backing/surplus reconciliation</u>					
Cash and investments available	254 063	7 850	261 913	237 414	190 618
Application of cash and investments	235 484	(1 333)	234 151	224 126	185 841
Balance - surplus (shortfall)	18 579	9 183	27 762	13 288	4 776
<u>Asset Management</u>					
Asset register summary (WDV)	566 969	16 000	582 969	625 498	687 440
Depreciation & asset impairment	21 432	-	21 432	22 624	24 105
Renewal and Upgrading of Existing Assets	15 521	1 000	16 521	22 682	16 940
Repairs and Maintenance	13 165	-	13 165	14 562	16 645
<u>Free services</u>					
Cost of Free Basic Services provided	642	-	642	680	721
Revenue cost of free services provided	2 296	-	2 296	2 434	2 580
<u>Households below minimum service level</u>					
Energy:	9	-	9	10	10
Refuse:	44	-	44	46	50

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

Standard Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Revenue - Functional					
<i>Governance and administration</i>	128 549	18 302	146 851	134 610	139 833
Executive and council	7 254	–	7 254	7 554	7 867
Finance and administration	121 295	18 302	139 597	127 056	131 966
<i>Community and public safety</i>	4 455	–	4 455	4 632	4 820
Community and social services	1 647	–	1 647	1 656	1 665
Sport and recreation	9	–	9	10	10
Public safety	2 799	–	2 799	2 966	3 144
<i>Economic and environmental services</i>	41 044	–	41 044	41 554	43 845
Planning and development	2 093	–	2 093	2 260	2 385
Road transport	38 951	–	38 951	39 294	41 460
<i>Trading services</i>	117 100	12 202	129 302	125 939	131 582
Energy sources	74 973	6 101	81 074	81 280	84 744
Waste management	42 127	6 101	48 228	44 659	46 838
<i>Other</i>	3	–	3	3	3
Total Revenue - Functional	291 150	30 504	321 654	306 739	320 083
Expenditure - Functional					
<i>Governance and administration</i>	109 930	–	109 930	109 196	116 898
Executive and council	28 051	–	28 051	30 222	32 050
Finance and administration	79 167	–	79 167	76 121	81 288
Internal audit	2 712	–	2 712	2 853	3 560
<i>Community and public safety</i>	18 501	–	18 501	19 009	20 455
Community and social services	11 418	–	11 418	12 140	13 141
Sport and recreation	2 635	–	2 635	2 459	2 629
Public safety	4 447	–	4 447	4 409	4 685
<i>Economic and environmental services</i>	43 361	–	43 361	46 889	47 930
Planning and development	18 556	–	18 556	20 440	19 462
Road transport	24 625	–	24 625	26 257	28 265
Environmental protection	180	–	180	192	204
<i>Trading services</i>	102 056	14 000	116 056	107 772	116 137
Energy sources	58 219	5 500	63 719	61 581	66 928
Waste water management	4 855	–	4 855	5 160	5 520
Waste management	38 981	8 500	47 481	41 031	43 689
<i>Other</i>	1 835	–	1 835	1 941	2 059
Total Expenditure - Functional	275 683	14 000	289 683	284 806	303 480
Surplus/ (Deficit) for the year	15 467	16 504	31 971	21 933	16 604

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

Vote Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Revenue by Vote					
Vote 1 - Executive & Council	7 254	–	7 254	7 554	7 867
Vote 2 - Planning & Development	1 975	–	1 975	2 135	2 253
Vote 3 - Corporate Services	193	–	193	205	217
Vote 4 - Budget & Treasury	121 219	18 302	139 522	126 976	131 881
Vote 5 - Road Transport	41 656	–	41 656	42 161	44 499
Vote 9 - Community & Social Services	1 650	–	1 650	1 659	1 669
Vote 10 - Sport & Recreation	9	–	9	10	10
Vote 11 - Public Safety	93	–	93	99	105
Vote 12 - Electricity	74 973	6 101	81 074	81 280	84 744
Vote 13 - Waste Management	42 127	6 101	48 228	44 659	46 838
Total Revenue by Vote	291 150	30 504	321 654	306 739	320 083
Expenditure by Vote					
Vote 1 - Executive & Council	30 763	–	30 763	33 075	35 610
Vote 2 - Planning & Development	20 960	–	20 960	22 986	22 163
Vote 3 - Corporate Services	38 375	–	38 375	36 159	38 546
Vote 4 - Budget & Treasury	39 620	–	39 620	38 718	41 423
Vote 5 - Road Transport	28 192	–	28 192	29 731	31 955
Vote 6 - Waste Water Management	4 855	–	4 855	5 160	5 520
Vote 9 - Community & Social Services	12 201	–	12 201	12 970	14 023
Vote 10 - Sport & Recreation	2 635	–	2 635	2 459	2 629
Vote 11 - Public Safety	881	–	881	936	995
Vote 12 - Electricity	58 219	5 500	63 719	61 581	66 928
Vote 13 - Waste Management	38 981	8 500	47 481	41 031	43 689
Total Expenditure by Vote	275 683	14 000	289 683	284 806	303 480
Surplus/ (Deficit) for the year	15 467	16 504	31 971	21 933	16 604

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

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Revenue By Source					
Property rates	9 048	-	9 048	9 591	10 166
Service charges - electricity revenue	43 365	-	43 365	45 967	48 725
Service charges - refuse revenue	10 226	-	10 226	10 840	11 490
Rental of facilities and equipment	123	-	123	131	139
Interest earned - external investments	18 800	-	18 800	18 500	18 500
Interest earned - outstanding debtors	2 546	-	2 546	2 699	2 861
Fines, penalties and forfeits	177	-	177	187	199
Licences and permits	1 260	-	1 260	1 335	1 416
Agency services	1 059	-	1 059	1 123	1 190
Transfers and subsidies	166 246	30 504	196 750	173 184	180 729
Other revenue	1 968	-	1 968	2 086	2 211
Total Revenue (excluding capital transfers and contributions)	254 819	30 504	285 323	265 643	277 625
Expenditure By Type					
Employee related costs	100 989	-	100 989	107 026	113 677
Remuneration of councillors	14 468	-	14 468	15 336	16 256
Debt impairment	7 633	5 000	12 633	8 057	8 585
Depreciation & asset impairment	21 432	-	21 432	22 624	24 105
Finance charges	3 188	-	3 188	3 366	3 586
Bulk purchases	39 029	2 500	41 529	41 058	44 712
Other materials	17 135	1 500	18 635	17 190	18 806
Contracted services	34 186	-	34 186	32 751	33 994
Transfers and subsidies	48	-	48	-	-
Other expenditure	37 575	5 000	42 575	37 399	39 758
Total Expenditure	275 683	14 000	289 683	284 806	303 480
Surplus/(Deficit)	(20 865)	16 504	(4 361)	(19 163)	(25 854)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	36 332	-	36 332	41 096	42 458
Surplus/ (Deficit) for the year	15 467	16 504	31 971	21 933	16 604

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

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Capital expenditure - Vote					
Multi-year expenditure to be adjusted					
Vote 3 - Corporate Services	2 200	-	2 200	-	-
Vote 5 - Road Transport	19 560	-	19 560	24 063	35 478
Vote 6 - Waste Water Management	-	-	-	878	23 067
Vote 9 - Community & Social Services	11 063	5 000	16 063	12 487	3 440
Vote 12 - Electricity	2 000	-	2 000	4 194	3 403
Vote 13 - Waste Management	30 555	-	30 555	20 186	18 580
Capital multi-year expenditure sub-total	65 378	5 000	70 378	61 808	83 968
Single-year expenditure to be adjusted					
Vote 1 - Executive & Council	1 415	-	1 415	178	186
Vote 2 - Planning & Development	336	-	336	133	139
Vote 3 - Corporate Services	4 496	1 000	5 496	100	105
Vote 4 - Budget & Treasury	2 945	-	2 945	353	369
Vote 5 - Road Transport	1 942	-	1 942	956	577
Vote 9 - Community & Social Services	-	-	-	1 373	-
Vote 12 - Electricity	40	-	40	90	536
Vote 13 - Waste Management	240	10 000	10 240	161	168
Capital single-year expenditure sub-total	11 413	11 000	22 413	3 344	2 080
Total Capital Expenditure - Vote	76 792	16 000	92 792	65 152	86 048
Capital Expenditure - Functional					
Governance and administration	11 056	1 000	12 056	631	659
Executive and council	1 327	-	1 327	87	90
Finance and administration	9 640	1 000	10 640	453	473
Internal audit	88	-	88	92	96
Community and public safety	12 024	5 000	17 024	18 641	3 440
Community and social services	11 063	5 000	16 063	13 860	3 440
Public safety	960	-	960	4 781	-
Economic and environmental services	20 877	-	20 877	20 371	36 194
Planning and development	336	-	336	133	139
Road transport	20 541	-	20 541	20 238	36 055
Trading services	32 836	10 000	42 836	25 509	45 754
Energy sources	2 040	-	2 040	4 284	3 939
Waste water management	-	-	-	878	23 067
Waste management	30 796	10 000	40 796	20 347	18 748
Total Capital Expenditure - Functional	76 792	16 000	92 792	65 152	86 048
Funded by:					
National Government	36 332	-	36 332	41 096	42 458
Transfers recognised - capital	36 332	-	36 332	41 096	42 458
Internally generated funds	40 460	16 000	56 460	24 056	43 590
Total Capital Funding	76 792	16 000	92 792	65 152	86 048

Table B6 - Adjustments Budgeted Financial Position

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
ASSETS					
Current assets					
Cash	21 289	7 850	29 139	27 917	12 545
Call investment deposits	232 774	-	232 774	209 497	178 072
Consumer debtors	21 299	(6 000)	15 299	21 087	27 178
Other debtors	5 378	-	5 378	5 378	5 378
Inventory	403	8	411	452	497
Total current assets	281 143	1 859	283 002	264 331	223 671
Non current assets					
Investment property	45 607	-	45 607	45 607	45 607
Property, plant and equipment	521 165	16 000	537 165	579 733	641 719
Intangible	197	-	197	158	114
Total non current assets	566 969	16 000	582 969	625 498	687 440
TOTAL ASSETS	848 113	17 859	865 971	889 829	911 111
LIABILITIES					
Current liabilities					
Borrowing	887	-	887	904	922
Consumer deposits	1 811	-	1 811	1 901	1 996
Trade and other payables	28 532	1 355	29 887	28 604	29 939
Provisions	15 100	-	15 100	16 293	17 517
Total current liabilities	46 330	1 355	47 684	47 702	50 374
Non current liabilities					
Borrowing	7 747	-	7 747	6 843	5 921
Provisions	26 777	-	26 777	29 589	32 517
Total non current liabilities	34 525	-	34 525	36 433	38 438
TOTAL LIABILITIES	80 855	1 355	82 209	84 134	88 813
NET ASSETS	767 258	16 504	783 762	805 695	822 299
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)	488 958	16 550	505 508	531 486	582 832
Reserves	278 301	(46)	278 255	274 209	239 467
TOTAL COMMUNITY WEALTH/EQUITY	767 258	16 504	783 762	805 695	822 299

Table B7 - Adjustments Budgeted Cash Flows

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	7 100	–	7 100	7 506	7 925
Service charges	42 053	–	42 053	44 461	46 941
Other revenue	4 561	1 998	6 558	6 946	7 354
Transfers and Subsidies - Operational	166 246	30 504	196 750	173 184	180 729
Transfers and Subsidies - Capital	36 332	–	36 332	41 096	42 458
Interest	20 798	(1 998)	18 800	18 500	18 500
Payments					
Suppliers and employees	(237 860)	(6 654)	(244 513)	(246 878)	(260 261)
Finance charges	(3 188)	–	(3 188)	(3 366)	(3 586)
Transfers and Grants	(48)	–	(48)	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	35 992	23 850	59 843	41 449	40 060
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments					
Capital assets	(76 792)	(16 000)	(92 792)	(65 152)	(86 048)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(76 792)	(16 000)	(92 792)	(65 152)	(86 048)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase (decrease) in consumer deposits	86	–	86	91	95
Payments					
Repayment of borrowing	(871)	–	(871)	(887)	(904)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(784)	–	(784)	(796)	(809)
NET INCREASE/ (DECREASE) IN CASH HELD	(41 584)	7 850	(33 733)	(24 500)	(46 796)
Cash/cash equivalents at the year begin:	295 647	–	295 647	261 913	237 414
Cash/cash equivalents at the year end:	254 063	7 850	261 913	237 414	190 618

Table B8 - Adjustments Cash backed reserves/accumulated surplus reconciliation

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Cash and investments available					
Cash/cash equivalents at the year end	254 063	7 850	261 913	237 414	190 618
Cash and investments available:	254 063	7 850	261 913	237 414	190 618
Applications of cash and investments					
Unspent conditional transfers	12 766	-	12 766	12 766	12 766
Other working capital requirements	(4 771)	(1 287)	(6 058)	(11 912)	(15 334)
Other provisions	15 100	-	15 100	16 293	17 517
Reserves to be backed by cash/investments	212 389	(46)	212 343	206 979	170 893
Total Application of cash and investments:	235 484	(1 333)	234 151	224 126	185 841
Surplus(shortfall)	18 579	9 183	27 762	13 288	4 776

Table B9 - Adjustments Budget Asset Management

Description	Budget Year 2020/21			Budget Year +1	Budget Year +2
	Original Budget	Total Adjusts.	Adjusted Budget	2021/22 Adjusted Budget	2022/23 Adjusted Budget
R thousands					
CAPITAL EXPENDITURE					
<u>Total New Assets to be adjusted</u>	61 271	15 000	76 271	42 470	69 108
<i>Roads Infrastructure</i>	9 469	10 000	19 469	1 498	18 538
<i>Storm water Infrastructure</i>	-	-	-	878	23 067
<i>Electrical Infrastructure</i>	2 288	-	2 288	4 194	3 403
<i>Solid Waste Infrastructure</i>	28 329	-	28 329	20 186	18 580
Infrastructure	40 085	10 000	50 085	26 757	63 588
Community Facilities	10 082	5 000	15 082	8 962	3 440
Community Assets	10 082	5 000	15 082	8 962	3 440
Operational Buildings	672	-	672	4 781	-
Other Assets	672	-	672	4 781	-
Licences and Rights	88	-	88	92	96
Intangible Assets	88	-	88	92	96
Computer Equipment	3 370	-	3 370	458	479
Furniture and Office Equipment	300	-	300	241	252
Machinery and Equipment	5 496	-	5 496	1 180	234
Transport Assets	1 178	-	1 178	-	1 019
<u>Total Renewal of Existing Assets to be adjusted</u>	4 094	-	4 094	4 016	-
<i>Roads Infrastructure</i>	912	-	912	-	-
Infrastructure	912	-	912	-	-
Community Facilities	982	-	982	4 016	-
Community Assets	982	-	982	4 016	-
Operational Buildings	2 200	-	2 200	-	-
Other Assets	2 200	-	2 200	-	-
<u>Total Upgrading of Existing Assets to be adjusted</u>	11 427	1 000	12 427	18 666	16 940
<i>Roads Infrastructure</i>	9 200	-	9 200	17 784	16 940
<i>Solid Waste Infrastructure</i>	2 227	-	2 227	-	-
Infrastructure	11 427	-	11 427	17 784	16 940
Community Facilities	-	-	-	883	-
Community Assets	-	-	-	883	-
Operational Buildings	-	1 000	1 000	-	-
Other Assets	-	1 000	1 000	-	-
<u>Total Capital Expenditure to be adjusted</u>	76 792	16 000	92 792	65 152	86 048
<i>Roads Infrastructure</i>	19 581	10 000	29 581	19 282	35 478
<i>Storm water Infrastructure</i>	-	-	-	878	23 067
<i>Electrical Infrastructure</i>	2 288	-	2 288	4 194	3 403
<i>Solid Waste Infrastructure</i>	30 555	-	30 555	20 186	18 580
Infrastructure	52 424	10 000	62 424	44 540	80 528
Community Facilities	11 063	5 000	16 063	13 860	3 440
Community Assets	11 063	5 000	16 063	13 860	3 440
Operational Buildings	2 872	1 000	3 872	4 781	-
Other Assets	2 872	1 000	3 872	4 781	-
Licences and Rights	88	-	88	92	96
Intangible Assets	88	-	88	92	96
Computer Equipment	3 370	-	3 370	458	479
Furniture and Office Equipment	300	-	300	241	252
Machinery and Equipment	5 496	-	5 496	1 180	234
Transport Assets	1 178	-	1 178	-	1 019
TOTAL CAPITAL EXPENDITURE to be adjusted	76 792	16 000	92 792	65 152	86 048

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
ASSET REGISTER SUMMARY - PPE (WDV)	566 969	16 000	582 969	625 498	687 440
<i>Roads Infrastructure</i>	152 489	10 000	162 489	172 357	197 804
<i>Storm water Infrastructure</i>	38 686	-	38 686	38 004	59 408
<i>Electrical Infrastructure</i>	38 244	-	38 244	41 308	43 506
<i>Solid Waste Infrastructure</i>	72 551	-	72 551	92 477	110 780
Infrastructure	301 970	10 000	311 970	344 145	411 498
Community Assets	63 972	5 000	68 972	80 432	81 313
Investment properties	45 607	-	45 607	45 607	45 607
Other Assets	97 168	1 000	98 168	102 028	101 046
Intangible Assets	197	-	197	158	114
Computer Equipment	5 339	-	5 339	4 869	4 360
Furniture and Office Equipment	1 015	-	1 015	542	24
Machinery and Equipment	18 879	-	18 879	17 180	14 364
Transport Assets	3 805	-	3 805	1 519	95
Land	29 018	-	29 018	29 018	29 018
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	566 969	16 000	582 969	625 498	687 440
EXPENDITURE OTHER ITEMS					
<u>Depreciation & asset impairment</u>	21 432	-	21 432	22 624	24 105
<u>Repairs and Maintenance by asset class</u>	13 165	-	13 165	14 562	16 645
<i>Roads Infrastructure</i>	2 697	-	2 697	2 997	3 407
<i>Storm water Infrastructure</i>	336	-	336	376	433
<i>Electrical Infrastructure</i>	1 025	-	1 025	1 179	1 358
<i>Solid Waste Infrastructure</i>	339	-	339	379	437
Infrastructure	4 396	-	4 396	4 931	5 635
Community Facilities	2 373	-	2 373	2 551	2 933
Sport and Recreation Facilities	229	-	229	232	262
Community Assets	2 602	-	2 602	2 783	3 195
Operational Buildings	1 116	-	1 116	1 249	1 438
Other Assets	1 116	-	1 116	1 249	1 438
Furniture and Office Equipment	677	-	677	744	837
Machinery and Equipment	1 883	-	1 883	2 076	2 347
Transport Assets	2 491	-	2 491	2 780	3 192
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	34 597	-	34 597	37 186	40 750
Renewal and upgrading of Existing Assets as % of total capex	20.2%		17.8%	34.8%	19.7%
Renewal and upgrading of Existing Assets as % of deprecn"	72.4%		77.1%	100.3%	70.3%
R&M as a % of PPE	2.3%		2.3%	2.3%	2.4%
Renewal and upgrading and R&M as a % of PPE	5.1%		5.1%	6.0%	4.9%

Table B10 - Adjustments Budget Basic service delivery measurement

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<u>Household service targets</u>					
<u>Energy:</u>					
Electricity (at least min. service level)	37 949	-	37 949	40 226	43 444
Electricity - prepaid (> min.service level)	1 450	-	1 450	1 537	1 660
<i>Minimum Service Level and Above sub-total</i>	39 399	-	39 399	41 763	45 104
Other energy sources	8 967	-	8 967	9 505	10 266
<i>Below Minimum Servic Level sub-total</i>	8 967	-	8 967	9 505	10 266
Total number of households	48 366	-	48 366	51 268	55 370
<u>Refuse:</u>					
Removed at least once a week (min.service)	6 223	-	6 223	6 597	7 124
Minimum Service Level and Above sub-total	6 223	-	6 223	6 597	7 124
Using communal refuse dump	43 565	-	43 565	46 179	49 873
<i>Below Minimum Servic Level sub-total</i>	43 565	-	43 565	46 179	49 873
Total number of households	49 788	-	49 788	52 776	56 998
<u>Cost of Free Basic Services provided (R'000)</u>					
Electricity/other energy (50kwh per indigent household per month)	642	-	642	680	721
Total cost of FBS provided	642	-	642	680	721
<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)	2 296	-	2 296	2 434	2 580
Total revenue cost of subsidised services provided	2 296	-	2 296	2 434	2 580

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 12 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	2020/2021 Original Budget	2020/2021 Adjustments Budget	2021/2022 Budget	2022/2023 Budget
Investment Interest	18 800	18 800	18 500	18 500

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 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Vote 3 - Corporate Services						
Function 1 - Buildings						
Sub-function 1 - Other Buildings						
<i>Upgrading of Municipal Office in Lady Grey Ward 14</i>	Completion of project to the specification of the engineers	2 200	-	2 200	-	-
<i>Construction of Change rooms - Lady Grey</i>	Completion of project to the specification of the engineers	-	500	500	-	-
<i>Construction of Change rooms - Barkly East</i>	Completion of project to the specification of the engineers	-	500	500	-	-
Vote5 - Road Transport						
Function 1 - Roads						
Sub-function 1 - Access Roads						
<i>Construction of Gravel Road with Stormwater control Ward 2 (7.01 km)</i>	Completion of project to the specification of the engineers	5 400	-	5 400	-	-
<i>Tienbank Property Access Construction</i>	Completion of project to the specification of the engineers	432	-	432	-	-
Sub-function 2 - Surfaced Roads						
<i>Construction of Gravel Road with Stormwater control Esiindini to Frans Ward 10 (6km)</i>	Completion of project to the specification of the engineers	255	-	255	-	-
<i>New Rest Construction - Paving</i>	Completion of project to the specification of the engineers	9 200	-	9 200	17 784	16 940
<i>Construction of Bus Route in Boyce Nondala Township Barkly East</i>	Completion of project to the specification of the engineers	2 400	-	2 400	-	-
<i>Construction of Speed bumps in Lady Grey</i>	Completion of project to the specification of the engineers	785	-	785	-	-
<i>Construction of Speed bumps in Rhodes</i>	Completion of project to the specification of the engineers	196	-	196	-	-
<i>Construction of interlock paved streets in Khewzi Naledi (Steve Tswete) W 14</i>	Completion of project to the specification of the engineers	-	-	-	400	5 000
<i>Resurface of existing paved roads (asphalt) & upgrade of storm water in Barkly East.</i>	Completion of project to the specification of the engineers	-	-	-	1 000	10 000
Function 2 - Road Structures						
Sub-function 1 - Bridges						
<i>Transwilger Bridge</i>	Completion of project to the specification of the engineers	912	-	912	912	912
<i>Construction of a pedestrian bridge between Esiindini and Frans (W12)</i>	Completion of project to the specification of the engineers	-	-	-	98	3 538
Function 3 - Road and Traffic Regulation						
Sub-function 1 - Municipal Offices						
<i>Driving Licence and Testing Centre Sterkspruit</i>	Completion of project to the	672	-	672	4 781	-
Vote 6 - Waste Water Management						
Function 1 - Storm water						
Sub-function 1 - Storm water Conveyance						
<i>Lining, fencing and upgrading of primary storm water channel through Lady Grey.</i>	Completion of project to the specification of the engineers	-	-	-	478	11 533
<i>Lining, fencing and upgrading of primary storm water channel through Khwezi Naledi and upgrade of two motor bridges..</i>	Completion of project to the specification of the engineers	-	-	-	400	11 533

Description	Unit of measurement	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Vote9 - Community & Social Services						
Function 1 - Community Halls						
Sub-function 1 - Buildings						
<i>Renovations (Barkly East Town Hall)</i>	Renovation of the hall to	982	-	982	4 016	-
<i>Upgrade of MPCC in Sterkspruit</i>	Renovation of the hall to	-	-	-	883	-
Function 2 - Cemeteries						
Sub-function 1 - Cemeteries						
<i>Construction of New Cemetery in Barkly East</i>	Completion of project to the specification of the engineers	8 200	5 000	13 200	-	-
<i>Construction of New Cemetery in Sterkspruit</i>	Completion of project to the specification of the engineers	442	-	442	1 177	3 440
<i>Fencing of existing cemeteries at Joveleni, Hinana and Voyizana</i>	Completion of project to the specification of the engineers	-	-	-	1 373	-
<i>Senqu Cemeteries</i>	Completion of project to the specification of the engineers	1 440	-	1 440	6 411	-
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	4 200	-	4 200	13 347	13 580
<i>Solid Waste Site - Herschel</i>	Completion of project to satisfy specifications of the engineers	13 329	-	13 329	5 815	-
<i>Solid Waste Site - Rossouw</i>	Completion of project to satisfy specifications of the engineers	10 500	-	10 500	525	-
<i>Solid Waste Site - Rhodes</i>	Completion of project to satisfy specifications of the engineers	300	-	300	500	5 000
<i>Upgrading of Existing Solid Waste Site in Lady Grey</i>	Completion of project to satisfy specifications of the engineers	2 227	-	2 227	-	-
<i>Weighbridge at Herschel Solid Waste Management Site</i>	Completion of project to satisfy specifications of the engineers	-	5 000	5 000	-	-
<i>Weighbridge at Rossouw Solid Waste Management Site</i>	Completion of project to satisfy specifications of the engineers	-	5 000	5 000	-	-

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