

Adjusted Budget

1.1 Executive Summary

In terms of section 18 (1) of the Municipal Finance Management Act; municipal budget must be funded from realistically anticipated revenue; cash backed accumulated funds and borrowed funds. National and Provincial treasury in their quest to ensure that municipality's budgets are funded have conducted engagements and requested municipalities to adjust their budget downwards.

The municipality heeded to the call by adjusting its operating expenditure downwards to ensure that the 2019/2020 budget is funded.

It is also worth mentioning that the municipality is still under financial distress and is striving to get out of the situation. In its effort to turn the situation around the following have been developed:

- ✓ Financial Recovery plan
- ✓ Implementation of Revenue enhancement strategy
- ✓ Implementation of incentive scheme
- ✓ Updating and implementation of indigent subsidy and write off of uncollectable debt
- ✓ Implementation of repayment plan taking into consideration cash flow projections
- ✓ Reduction of employee related cost by not funding position as they become vacant unless declared critical.

1.2 Adjusted Budget Related Resolutions

Below are the resolutions that must be approved by council with 2019/20 adjusted budget.

- a. That the adjusted budget for 2019/2020 **be approved** as set out in the following budget tables:-

- 1.1 Table B1 Budget Summary
- 1.2 Table B2 Budgeted Financial Performance by Standard Classification
- 1.3 Table B3 Budgeted Financial Performance by Vote
- 1.4 Table B4 Budgeted Financial Performance – Revenue by Source and Expenditure by type
- 1.5 Table B5 Budgeted Capital
- 1.6 Table B6 Budgeted Financial Position
- 1.7 Table B7 Budgeted Cash Flows
- 1.8 Table B8 Budgeted Backed Reserves and Accumulated Surplus Reconciliation
- 1.9 Table B9 Asset management
- 1.10 Table B10 Basic Service Delivery Measurement

- b. That the 1st adjustment budget **be approved**.

The following is the table depicting the overview of the 1st adjustment budget for 2019/20

R thousands	Original Budget 2019/20	Adjusted Budget 2019/20	Movement
Revenue (Incl. Capital Transfers)	241 070 708	241 070 708	-
Operating Expenditure	225 725 083	215 247 069	(10 478 014)
Surplus or (Deficit)	15 345 625	25 823 639	
Capital Expenditure	43 732 050	43 732 050	-

A reduction of operating expenditure by R10,5m whilst projected revenue remained unchanged to make up for the potential deficit.

1.3 Accumulated Surplus Reconciliation

EC124 Amahlathi - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
Cash and investments available												
Cash/cash equivalents at the year end	1	6,758	-	-	-	-	-	45,987	45,987	52,746	178	6,833
Other current investments > 90 days		164	-	-	-	-	-	(26,102)	(26,102)	(25,938)	28,198	23,076
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		6,922	-	-	-	-	-	19,886	19,886	26,808	28,376	29,908
Applications of cash and investments												
Unspent conditional transfers		979	-	-	-	-	-	-	-	979	1,032	1,088
Unspent borrowing												
Statutory requirements												
Other working capital requirements	2	32,629	-	-	-	-	-	(11,598)	(11,598)	21,031	22,166	23,363
Other provisions												
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		-	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		33,609	-	-	-	-	-	(11,598)	(11,598)	22,010	23,199	24,451
Surplus(shortfall)		(26,687)	-	-	-	-	-	31,484	31,484	4,798	5,177	5,457

The above table shows that after the adjustment the municipality's budget is now reflecting a surplus of R4m.

1.4 Operating Revenue Framework

Below is the table reflecting the summary of adjusted budget revenue by source.

Table: 1 (Revenue by source)

EC124 Amahlathi - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	17,659	-	-	-	-	-	-	-	17,659	18,613	19,618
Service charges - electricity revenue	2	45,161	-	-	-	-	-	-	-	45,161	47,600	50,170
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	10,000	-	-	-	-	-	-	-	10,000	10,540	11,109
Rental of facilities and equipment		1,112								1,112	1,173	1,236
Interest earned - external investments		1,894								1,894	1,996	2,104
Interest earned - outstanding debtors		2,777								2,777	2,927	3,085
Dividends received		-								-	-	-
Fines, penalties and forfeits		506								506	534	562
Licences and permits		2,749								2,749	2,897	3,054
Agency services		1,668								1,668	1,758	1,853
Transfers and subsidies		112,541								112,541	115,687	122,470
Other revenue	2	1,371	-	-	-	-	-	-	-	1,371	1,445	1,523
Gains on disposal of PPE												
Total Revenue (excluding capital transfers and contributions)		197,439	-	-	-	-	-	-	-	197,439	205,169	216,784

There are no changes in operating revenue.

1.5 Operating Expenditure Framework

The table below depicts the high level summary of adjusted budget classified per main type of operating expenditure.

EC124 Amahlathi - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -												
Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10			
R thousands	1	A	A1	B	C	D	E	F	G	H		
Expenditure By Type												
Employee related costs		115,165	-	-	-	-	-	(5,800)	(5,800)	109,365	121,384	127,939
Remuneration of councillors		12,244								12,244	12,905	13,602
Debt impairment		2,500								2,500	2,635	2,777
Depreciation & asset impairment		28,000	-	-	-	-	-	(2,000)	(2,000)	26,000	29,512	31,106
Finance charges		100								100	105	111
Bulk purchases		31,612	-	-	-	-	-	-	-	31,612	33,319	35,118
Other materials		236								236	248	262
Contracted services		15,509	-	-	-	-	-	(1,000)	(1,000)	14,509	16,346	17,229
Transfers and subsidies		-								-	-	-
Other expenditure		20,360	-	-	-	-	-	(1,678)	(1,678)	18,682	21,459	22,618
Loss on disposal of PPE		-								-	-	-
Total Expenditure		225,725	-	-	-	-	-	(10,478)	(10,478)	215,247	237,914	250,762
Surplus/(Deficit)		(28,286)	-	-	-	-	-	10,478	10,478	(17,808)	(32,745)	(33,977)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		43,632								43,632	32,195	36,720
Surplus/(Deficit) before taxation		15,346	-	-	-	-	-	10,478	10,478	25,824	(550)	2,743
Taxation												
Surplus/(Deficit) after taxation		15,346	-	-	-	-	-	10,478	10,478	25,824	(550)	2,743
Attributable to minorities												
Surplus/(Deficit) attributable to municipality		15,346	-	-	-	-	-	10,478	10,478	25,824	(550)	2,743
Share of surplus/ (deficit) of associate												
Surplus/ (Deficit) for the year		15,346	-	-	-	-	-	10,478	10,478	25,824	(550)	2,743

The following is a summary of areas of adjustment:-

- ✓ Employee Related Costs adjusted down by R5.8m
- ✓ Depreciation adjusted down by R2m
- ✓ Contracted Services down by R1m
- ✓ Other Expenditure down by R1.6m