

4.
26.02.20

5. **ITEM BUDGET ADJUSTMENT FOR THE FINANCIAL YEAR 2019/20**
LCM (FINANCE)

1. PURPOSE

The purpose of this report is to submit the proposed adjustments budget for the 2019/20 financial year to council for consideration and approval.

2. LINK TO STRATEGIC PLAN/OBJECTIVES OF THE MUNICIPALITY

The objective of the adjustments budget is to achieve municipal financial viability and sound and efficient financial management.

3. BACKGROUND

In terms of Section 28(2) of the Municipal Finance Management Act, No 56 of 2003, A Municipality may revise an approved annual budget through an adjustment budget. Section 28(2) provides that an adjustments budget:

- a) must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the current year;
- b) may 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;
- c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- d) may authorize the utilization of projected savings in one vote towards spending under another vote
- e) may authorize 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 roll-overs when the annual budget for the current year was approved by the council;
- f) may correct any errors in the annual budget; and
- g) may provide for any other expenditure within a prescribed framework.

The 2019/20 medium-term budget of Mogalakwena Municipality was tabled and approved by council on 28 May 2019 in terms of section 24(1) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and circular 70, 72, 74, 78, 85, 86, 93, 94 and Instruction 1 of 2013/14 as issued by National Treasury.

The mid - year performance assessments compiled in terms of Section 72 of the MFMA was submitted to council on the 10th February 2019. The mid-year performance necessitated an adjustment of the budget, which is done in terms of Municipal Budget and Reporting Regulations following a Special Adjustment Budget as requested by National Treasury in November 2019.

4. DISCUSSIONS

4.1 Executive Summary

- The mid - year budget performance assessment revealed that there is a need to adjust our annual budget due to identified savings and overspending in most critical expenditure line items and align our revenue projections to actual performance.
- Revenues from rates were not adjusted as the municipality's performance was as expected.
- Revenues from service charges on water, sanitation and refuse were adjusted slightly up as the municipality's performance was slightly more than expected. The service charges were increased with an amount of R8.74m.
- Revenue from investment income was reduced by R15m and interest income from outstanding debtors was inversely adjusted upward by R13m to align to actual performance and to correct the overbudgeting in the original budget.
- The municipality has also processed during the first six months, a special adjustment budget as recommended by National Treasury. The operational surplus after the special adjustment was R59.7m and funded CRR with an amount of R31.9m. The overall budget surplus during special adjustment was at R22.3m
- The municipality had to cater during the budget adjustment, the capital projects that were previously funded by MIG and currently without funding and with court orders for settlements of outstanding invoices to an amount of R55m. This resulted in utilization of the projected surplus during the special adjustment budget. The final overall budget surplus now stands at R7.8m
- In total revenue was increased by R6.74m, operational expenditure increased by R9.1m and capital expenditure increased by R12m in the adjustment budget.
- The adjustments budget is prepared during very difficult economic times which is evident by the fact that service delivery requirements far exceeds our available resources.
- The municipality is in the process of preparing a financial recovery plan to ensure that the future budgets are funded and sustainable.

4.2 Principled decisions adopted on the adjustment budget

The following are main principles applied during the consideration of the budget adjustment:

4.3 Service Charges

- Service charges for water, sanitation and refuse was increased by R8.7m. This increase is based on actual performance of R95m actual performance against R143.1m, which is 66% at mid-year.
- The determined anticipated billings from service charges using the actual performance at mid-year is at R480.1m and the estimated revenue billings as per the adjustment budget is at R428.9m which means that the proposed increase of R8.7m is far below anticipated performance (The municipality has only budgeted 90% of the estimated billings)

4.4 Interest on External Investments

- Interest on external investments was decreased by R15m. The municipality had less money at its disposal to put into investments. There was an allocation error against the amount allocated to investment income and interest on debtors when the original budget was prepared.
- The actual revenue generated from investments was 13% against the budget. R10m was already reduced during the special adjustments budget approved by council on 29 November 2019.

4.5 Interest Earned – Outstanding Debtors

Interest on outstanding debtors was increased by R13m. The increase is based on actual performance as actual figures were R24.7m against the budget of R28.1m. The performance was 88% by mid-year and it therefore requests for alignment of budget to actual projections.

4.6 Debt Impairment

- The municipality has at 30 June 2019, made a provision to an amount of R620m for irrecoverable debts. The amount already provided for is 79.6% of the total outstanding debtors. The remaining outstanding debtors balance is made up of business and government debts which in terms of the municipality's policy are not to be impaired as 100% collection must be done.
- The municipality has budgeted an amount of R7m to be contribution to debtor's impairment in the original budget and has adjusted it by R3m to be R10m for the 2019/20 financial year. We anticipate that at a collection rate of 75% the contribution of R10m is enough to cover increased irrecoverable debt from households during the financial year.

4.7 Depreciation and Asset Impairment

- No changes to depreciation amount budgeted in the original 2019/20 budget. The budgeted amount of R78.8m is deemed to be enough to cover the 2019/20 depreciation. Consideration was taken of the previous years' performance in the annual financial statements and the depreciation is projected based on the restated figures disclosed in the 2018/19 annual financial statements which are currently being audited by the Auditor General.
- The municipality has disclosed an amount R59.2m as depreciation in the 2018/19 financial year and already the AGSA has found errors in our estimates calculated at 25% (three months depreciation not accounted for) and we have taken it into account when projecting for our depreciation in the 2019/20 budget.

4.8 Contracted Services

- Priority was given for funding of contractual obligations to avoid material unauthorized expenditure at year end.
- An amount of R15m was further allocated for contracted services in order to ensure that the municipality cater for contractual obligations for the remainder of the 2019/20 financial year.
- A further amount of R6m was allocated for security services with a principled decision that the municipality will continue funding only half of the security personnel that were posted to different locations in the first six months.

4.9 Capital Expenditure

- The municipality had originally budgeted to fund own capital projects to an amount of R31.7m but had to reduce this internally funded capital projects to an amount of R10m to cater for projects that have already started (Moshate stadium and Electrification projects)
- The municipality had to fund three projects that are currently funded by MIG with shortfall of funds to an amount of R3.8m to ensure that projects are completed by year end
- Some capital items had to be reduced in order to cater for critical water project and wastewater treatment works. The net increase on the on the capital budget is R17.6m.
- The municipality had to cater during the budget adjustment, the capital projects that were previously funded by MIG and currently without funding and with court orders for settlements of outstanding invoices to an amount of R35m

4.10 Bulk Purchases

Bulk purchases were decreased by R9.45m due to lower expenditure than originally anticipated in the budget. The expenditure of R280.6m was incurred against the budget of R133m. The expenditure is 47% of the allocated budget and therefore a decrease was warranted.

4.11 New Positions

No new positions were funded through the adjustments budget.

4.12 Court Judgements

- The court order to pay CMC an amount of R48m was factored into the adjustments budget. The municipality has already paid R20m of the amount and a further R30m has been provided for in the adjustments budget.
- The municipality had provided an amount of R19m in the original budget to cover the costs of absorbing 134 Letsema temporary employees in the 2019/20 financial year. This amount has been reduced due to financial constraints and catered only to cover absorption for the remainder of the year. The matter will have to be factored into the 2020/21 annual budget.
- The court order with an amount of R5.1m was also received from Abeco for service rendered at one of our capital projects that were completed during the year. The amount was also catered for in the budget

8.
26.02.20

4.13 Other Considerations

- Limited additional funding was made available for travelling and overtime.
- Actual spending at mid-year was used to determine anticipated spending for the rest of the year.
- Funding was provided for all virements that were processed after the approval date of the special adjustments budget, 29 November 2019.

Cost Containment

There is a need for the municipality to have serious administration intervention on:

- ✓ Implementation of cost containment measures as discussed below.
- ✓ People management, managers and supervisors need to manage their staff and monitor expenditure trends in their respective units.

The following are some of interventions and cost containment measures that must be implemented in the last semester of the year to ensure proper budget monitoring and management:

1. Operation and maintenance

- Develop an operations and maintenance plan by end of May 2020 to inform proper budgeting for operations and maintenance of municipal assets.
- Elimination of direct purchases for operations and maintenance materials except in emergency circumstances which must be duly approved by the CFO.
- Ensure that official orders are issued for all procurements before commitments are made to avoid unauthorized expenditures
- Standard rates to be developed for term contractors to avoid manipulation of prices
- Closely monitor the purchase and replacement parts and materials. Ensure that a separate line item is provided for in the 2020/21 budget
- To reduce overreliance on contractors but use the above expenditure line item to procure maintenance materials and do the maintenance and repairs in-house using the appointed general workers.

2. Overtime

- Enforce the non-payment of overtime to personnel earning more than the stipulated threshold and rather provide for time off;
- Monitor closely overtime work, ensure that the need to work overtime is identified by the supervisor, and recommended to the departmental manager for approval before overtime is worked to ensure that only necessary emergency work is approved as overtime.
- Limit overtime payments to 30% of basic salary.

The municipality is in the process of developing a cost containment policy to be tabled together with the budget for 2020/21 in line with the issued government gazette in order to reduce operational costs

The municipality will also be preparing a revenue enhancement strategy together with the financial recovery plan in March 2020 which will be presented together with the 2020/21 budget for consideration and implementation.

5. Summary of budget adjustment**5.1 Revenue**

The following tables shows revenue per source and revenue per department:

Revenue by Source							
Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Property rates	- 80 769 886	1 950 000	- 78 819 886	- 46 029 394	- 32 790 492	-	- 78 819 886
Service charges - electricity revenue	- 284 428 521	7 460 000	- 276 968 521	- 145 021 333	- 131 947 188	-	- 276 968 521
Service charges - water revenue	- 80 945 709	- 26 600 000	- 107 545 709	- 74 772 263	- 32 773 446	- 2 500 000	- 110 045 709
Service charges - sanitation revenue	- 27 588 611	8 900 000	- 18 688 611	- 10 729 094	- 7 959 517	- 3 048 655	- 21 737 266
Service charges - refuse revenue	- 16 950 313	-	- 16 950 313	- 9 536 429	- 7 413 884	- 3 200 000	- 20 150 313
Rental of facilities and equipment	- 1 691 954	-	- 1 691 954	- 1 195 695	- 496 259	-	- 1 691 954
Interest earned - external investments	- 31 265 525	10 000 000	- 21 265 525	- 2 858 123	- 18 407 402	15 000 000	- 6 265 525
Interest earned - outstanding debtors	- 19 131 424	- 9 000 000	- 28 131 424	- 24 774 153	- 3 357 271	- 13 000 000	- 41 131 424
Dividends received	-	-	-	-	-	-	-
Fines, Penalties and forfeits	- 6 793 648	-	- 6 793 648	- 95 455	- 6 698 193	-	- 6 793 648
Licences and permits	- 10 334 481	8 697 515	- 1 636 966	- 4 987 529	3 350 563	-	- 1 636 966
Agency services	-	- 8 697 515	- 8 697 515	-	- 8 697 515	-	- 8 697 515
Transfers and subsidies	- 452 100 000	2 500 000	- 449 600 000	- 440 297 000	- 9 303 000	-	- 449 600 000
Other revenue	- 3 689 273	-	- 3 689 273	- 2 431 677	- 1 257 596	-	- 3 689 273
Gains on disposal of PPE	- 25 317 139	-	- 25 317 139	- 1 579 508	- 23 737 631	-	- 25 317 139
	- 1 041 006 484	- 4 790 000	- 1 045 796 484	- 764 307 652	- 281 488 832	- 6 748 655	- 1 052 545 139
Capital Grants	- 478 475 000	- 2 500 000	- 480 975 000	- 126 235 499	- 354 739 501	-	- 480 975 000
Total Revenue	- 1 519 481 484	- 7 290 000	- 1 526 771 484	- 890 543 151	- 636 228 333	- 6 748 655	- 1 533 520 139

10.
26.02.20

Revenue per Vote

Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Municipal Manager	- 468 766 409	10 000 000	- 458 766 409	- 330 263 826	- 128 502 583	15 000 000	- 443 766 409
Corporate Services	- 22 744 758	-	- 22 744 758	- 2 847 647	- 19 897 111	-	- 22 744 758
Budget & Treasury	- 91 021 447	- 7 050 000	- 98 071 447	- 55 309 690	- 42 761 757	- 2 000 000	- 100 071 447
Planning and Development	- 57 584	-	- 57 584	- 102 624	45 040	-	- 57 584
Technical Services	- 597 825 066	- 17 700 000	- 615 525 066	- 328 761 837	- 286 763 229	- 16 548 655	- 632 073 721
Community Services	- 18 653 655	-	- 18 653 655	- 21 415 415	2 761 760	- 3 200 000	- 21 853 655
Traffic and Emergency	- 22 065 559	-	- 22 065 559	- 5 099 678	- 16 965 881	-	- 22 065 559
Electrical Services	- 298 347 006	7 460 000	- 290 887 006	- 146 742 434	- 144 144 572	-	- 290 887 006
TOTAL REVENUE	- 1 519 481 484	- 7 290 000	- 1 526 771 484	- 890 543 151	- 636 228 333	- 6 748 655	- 1 533 520 139

- The revenue for both service charges on electricity and property rates were not adjusted as the municipality believes that anticipated revenue targets will be achieved
- The payment incentive programme will also be introduced in the third term of the financial year to encourage consumers to pay outstanding debts
- Revenues from service charges on water, sanitation and refuse were adjusted slightly up as the municipality's performance was slightly more than expected. The service charges were increased with an amount of R8.74m.
- Revenue from investment income was reduced by R15m and interest income from outstanding debtors was inversely adjusted upward by R13m to align to actual performance and to correct the overbudgeting in the original budget.
- No adjustment on both operational and capital grants had been made as there is no conclusive indication from treasury that funds may not be transferred as per DORA.

5.2 Operational expenditure - Per Department

The following is the adjustment proposal per department and explanations are provided below the table:

Operating Expenditure per Vote

Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Municipal Manager	84 585 625	- 1 087 792	83 497 833	40 822 434	42 675 399	3 207 340	86 705 173
Corporate Services	68 546 299	- 902 294	67 644 005	27 272 782	40 371 223	- 1 440 217	66 203 788
Budget & Treasury	66 291 688	72 000	66 363 688	40 750 483	25 613 205	6 043 638	72 407 326
Planning and Development	35 450 869	- 8 378 386	27 072 483	11 621 265	15 451 218	- 1 157 207	25 915 276
Technical Services	276 863 062	- 20 267 026	256 596 036	123 000 471	133 595 565	3 694 399	260 290 435
Community Services	116 930 047	- 19 671 181	97 258 866	45 071 858	52 187 008	192 130	97 450 996
Traffic and Emergency	80 271 963	- 1 134 769	79 137 194	50 348 060	28 789 134	5 606 430	84 743 624
Electrical Services	311 237 689	- 2 284 663	308 953 026	145 446 501	163 506 525	- 6 949 911	302 003 115
TOTAL OPERATING EXPENDITURE	1 040 177 242	- 53 654 111	986 523 131	484 333 856	502 189 275	9 196 602	995 719 733

- The savings of **R1.4m, R1.1m and R6.9m** for Corporate Services, Planning and Development and Electrical Services was used to fund over expenditure in other departments.
- The major additions to operational budget for the departments are as follows:
 - a) Municipal Manager – Major increase for bargaining council
 - b) Finance Department – Financial management services (OPCA) and Auditor General
 - c) Technical Services – Repairs and maintenance
 - d) Community Services – Protective clothing and maintenance of fleet
 - e) Traffic and Security – Private Security

5.3 Major line items adjustment on operational expenditure

The following vote line items had significant adjustments made on them during the budget adjustment:

Expenditure by Type

Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Employee related costs	378 961 326	- 49 287 738	329 673 588	180 118 540	149 555 048	- 2 300 000	327 373 588
Remuneration of councillors	25 206 281	-	25 206 281	12 803 361	12 402 920	-	25 206 281
Debt impairment	7 000 000	1 500 000	8 500 000	- 48 602	8 548 602	1 500 000	10 000 000
Depreciation & asset impairment	78 893 112	-	78 893 112	-	78 893 112	-	78 893 112
Finance charges	-	-	-	-	-	-	-
Bulk purchases	280 617 637	3 313	280 620 950	133 001 303	147 619 648	- 9 450 000	271 170 950
Other materials	18 274 479	- 694 132	17 580 347	5 848 420	11 731 927	- 2 019 332	15 561 015
Contracted services	176 061 817	- 2 323 180	173 738 637	124 005 460	49 733 177	18 239 771	191 978 408
Transfers and subsidies	1 347 602	-	1 347 602	118 071	1 229 531	- 60 806	1 286 796
Other expenditure	73 814 988	- 2 852 374	70 962 614	28 487 304	42 475 310	3 286 969	74 249 583
Loss on disposal of PPE	-	-	-	-	-	-	-
Total Expenditure	1 040 177 242	- 53 654 111	986 523 131	484 333 856	502 189 275	9 196 602	995 719 733

- Employee costs – The amount of R2.3m was reduced as savings from absorption of Letsema employees in the first six months.
- Depreciation - The non-cash item was not adjusted as it was originally based on the actual figures in the restated 2018/19 annual financial statements.
- Operations and maintenance – Most line items for operations and maintenance at technical services were depleted at end of six months. The budgeting was inaccurate as it was not based on the researched maintenance plan
- Audit fees – The municipality did not properly budget for audit fees as the budgeted amount is far less than the actual costs incurred for the 2018/19 audit so far.
- Security – The municipality has during the preparation of the budget for 2019/20 reduced the budget for security as a cost containment measure however the actual costs of security has not reduced in the first six months. The municipality will be awarding new tender based on the security assessment in order to inform the proper need of security. Alternatives methods of security such as alarm systems and cameras are being considered in order to reduce the costs.

12.
26.02.20

5.4 Employee costs

The following is the adjustment made on total employee costs:

Employee Cost per Vote

Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Municipal Manager	45 349 811	755 479	46 105 290	23 475 109	22 630 181	- 1 355 764	44 749 526
Corporate Services	34 121 301	- 794 746	33 326 555	17 410 471	15 916 084	- 1 740 217	31 586 338
Budget & Treasury	30 951 764	- 2 055 940	28 895 824	16 008 754	12 887 070	- 456 362	28 439 462
Planning and Development	29 823 083	- 8 168 768	21 654 315	11 168 563	10 485 752	- 1 157 207	20 497 108
Technical Services	99 359 705	- 14 108 692	85 251 013	45 912 969	39 338 044	572 967	85 823 980
Community Services	79 879 974	- 21 752 086	58 127 888	33 185 052	24 942 836	1 065 848	59 193 736
Traffic and Emergency	44 897 134	- 1 069 769	43 827 365	24 038 507	19 788 858	- 133 354	43 694 011
Electrical Services	39 784 835	- 2 093 216	37 691 619	21 722 475	15 969 144	904 089	38 595 708
TOTAL EMPLOYEE COST	404 167 607	- 49 287 738	354 879 869	192 921 900	161 957 969	- 2 300 000	352 579 869

- The total amount of Employee Related costs has been adjusted down to an amount of R352.5M. The savings of R2.3M is as a result of Letsema employees not yet absorbed. Other movements in the Employee related costs are to cater for integration errors.

5.5 Capital expenditure

Capital Expenditure per Vote

Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Municipal Manager	1 480 000	-	1 480 000	21 896	1 458 104	- 658 104	821 896
Corporate Services	7 070 000	-	7 070 000	-	7 070 000	- 5 570 000	1 500 000
Budget & Treasury	176 000	-	176 000	-	176 000	- 118 000	58 000
Planning and Development	7 050 000	- 1 000 000	6 050 000	21 322	6 028 678	- 6 000 000	50 000
Technical Services	445 272 024	13 124 605	458 396 629	115 633 861	342 762 768	31 825 575	490 222 204
Community Services	30 403 976	- 3 625 608	26 778 368	11 734 900	15 043 468	- 6 536 648	20 241 720
Traffic and Emergency	1 287 000	-	1 287 000	-	1 287 000	- 787 000	500 000
Electrical Services	22 624 100	- 6 000 000	16 624 100	3 772 639	12 851 461	- 82 200	16 541 900
TOTAL CAPITAL EXPENDITURE PER VOTE	515 363 100	2 498 997	517 862 097	131 184 618	386 677 479	12 073 622	529 935 719

- All the departments except for Technical services had a net decrease on their capital budget.
- The major increase of R34.3m for Technical services considers the court order against the municipality to pay CMC on the Wastewater Treatment Works and the co funding of three capital projects that are currently funded by MIG.

5.6 Surplus/ deficit

Description	Original	Virements/ Special Adjustment	Final Budget	YTD Movement	Unspent Bud	Proposed Adjustment	Final Adjusted Budget
Total Operational Revenue	- 1 041 006 484	- 4 790 000	- 1 045 796 484	- 764 307 652	- 281 488 832	- 6 748 655	- 1 052 545 139
Total Operating Expenditure	1 040 177 242	- 53 654 111	986 523 131	484 333 856	502 189 275	9 196 602	995 719 733
Operational -Surplus/Deficit	- 829 242	- 58 444 111	- 59 273 353	- 279 973 796	- 220 700 443	- 2 447 947	- 56 825 406
Total capital grants	- 478 475 000	- 2 500 000	- 480 975 000	- 126 235 499	- 354 739 501	-	- 480 975 000
Total Capital Expenditure	515 363 100	2 498 997	517 862 097	131 184 618	386 677 479	12 073 622	529 935 719
Overall Budget -Surplus/Deficit	36 058 858	- 58 445 114	- 22 386 256	- 275 024 678	- 252 638 422	- 14 521 569	- 7 864 687

6. COMMENTS OF STAKEHOLDER DEPARTMENTS

6.1 Comments by Chief Financial Officer (CFO)

Prepared in terms of MBRR and supported.

6.2 Comments by Legal Services

Adjustment budget prepared in compliance with MFMA and Constitution

6.3 Comments by Municipal Manager

The adjustment budget is noted.

6.4 Comments by Community Services

The recommendations of the 2019/20 adjustment budget are supported.

6.5 Comments by Planning and Development

Supporting.

6.6 Comments by Traffic and Security

Supported the adjustment budget as per deliberations of the management meeting.

6.7 Comments by Electrical Services

We support the recommendations of the adjustment.

6.8 Comments by Technical Services

Technical services supports the recommendations and, however, Revenue Enhancement Strategy should form part of the submission to improve our collection rate.

7. IMPLICATIONS

7.1 Financial Implications

It is of utmost importance that all money due to the municipality must be collected and where possible savings must be made.

The municipality has developed a draft Financial Recovery Plan which considers additional sources of revenue to be explored as well as cost containment measures to be implemented.

7.2 Constitutional and Legal Implications

The submission of the report to council is required by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and has no legal implications. The non-submission and non-approval however will have legal implications.

7.3 Human Resource Implications

There is no human resource implications

7.4 Previous Council Resolutions (Related to current matter)

Council resolved on the special budget adjustments for the financial year 2019/20 (Item 7 Agenda EC 28 November 2019) as follows:

RESOLVED:

THAT

- a) Council approves the adjusted revenue by source, adjusted expenditure by vote for the 2019/20 financial year.
- b) Further approves the special adjustments budget 2019/20 as set out in the following tables and schedules:
 - i) Adjustments Budget Summary reflected as table B1 (attached as page 27).
 - ii) Adjustments Budget Financial Performance (standard classification) reflected as table B2 (attached as pages 28 to 31)
 - iii) Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) reflected as table B3 (attached as pages 32 to 35)
 - iv) Adjustments Budget Financial Performance (revenue and expenditure) reflected as table B4 (attached as page 36)
 - v) Adjustments Capital Expenditure Budget by vote and funding reflected as table B5 (attached as pages 36 to 40)
 - vi) Adjustments Budget Financial Position reflected as table B6 (attached as page 41)

- vii) Adjustments Budget Cash Flows reflected as table B7 (attached as page 42)
- viii) Cash backed reserves/ accumulated surplus reconciliation reflected as table B8 (attached as page 43)
- ix) Asset Management reflected as table B9 (attached as pages 44 to 46)
- x) Basic Service Delivery Measurement reflected as table B10 (attached as pages 47)
- xi) Supporting information and explanations of trends and anomalies for each table are reflected as tables SB1 to SB20 (attached as pages 48 to 85)
- c) Stringent debt collection and revenue enhancement measures must be implemented to keep the collection rate above 75%.
- d) Council notes that there are no amendments to approved capital programme.

8. CONCLUSIONS

The discussion notes above indicate that various factors were taken into account in the preparation of the 2019/20 adjustments budget. Management acknowledges that there is limited resources to provide for all the needs of the municipality. It is however, still required by legislation that the adjustments budget must be funded, which is a principle that was applied in the preparation of this adjustments budget. Management therefore makes recommendations for approval of the adjustments budget in compliance with good financial practices and within the legislative prescripts that govern the budget preparation process.

9. RECOMMENDATIONS

THAT

- a) Council approves the adjusted revenue by source, adjusted expenditure by vote for the 2019/20 financial year
- b) Further approves the adjustments budget 2019/20 as set out in the following tables and schedules:
 - i) Adjustments Budget Summary reflected as table B1 (attached as page 27)
 - ii) Adjustments Budget Financial Performance (standard classification) reflected as table B2 (attached as pages 28 to 31)
 - iii) Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) reflected as table B3 (attached as pages 32 to 35)
 - iv) Adjustments Budget Financial Performance (revenue and expenditure) reflected as table B4 (attached as page 36)

16.
26.02.20

- v) Adjustments Capital Expenditure Budget by vote and funding reflected as table B5 (attached as pages 37 to 40)
 - vi) Adjustments Budget Financial Position reflected as table B6 (attached as page 41)
 - vii) Adjustments Budget Cash Flows reflected as table B7 (attached as page 42)
 - viii) Cash backed reserves/ accumulated surplus reconciliation reflected as table B8 (attached as page 43)
 - ix) Asset Management reflected as table B9 (attached as pages 44 to 46)
 - x) Basic Service Delivery Measurement reflected as table B10 (attached as page 47)
 - xi) Supporting information and explanations of trends and anomalies for each table are reflected as tables SB1 to SB20 (attached as pages 48 to 85)
- c) That cost containment measures as proposed be approved for implementation
- d) It be noted that the revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation need to be aligned to the adjustments budget.
- e) Stringent debt collection and revenue enhancement measures must always be implemented to keep the collection rate above 70%.
- f) Council note the comments of the intervention team on the adjustments budget.