

Cape Agulhas Municipality



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

Adjustment Budget **2020/21 MTREF (2021/22 & 2022/23)**

Adjusted Medium Term Revenue
and Expenditure Framework

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Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

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.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

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

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The accounting standard for municipal accounting.

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

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

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.

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.

Virement – A transfer of budget.

Vote – One of the main segments of a budget. The structure is for reporting requirements and links the accounting performance both to the IDP and to the responsible officials.

PART 1 – ANNUAL BUDGET

Section 1 – Mayor’s Report

In accordance with section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- (i) To appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.
- (ii) To authorise the utilisation of projected savings in one vote towards spending under another vote.
- (iii) To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected rollovers when the annual budget for the current year was approved by the Council.
- (iv) To correct any errors in the annual budget.

In line with the MFMA, as well as regulation on Cost Containment regulated by National Treasury Circular, the 2020/21 approved Budget has now been adjusted. The main adjustments proposed in this adjustment budget are included in this section of the report.

National Treasury Municipal Standard chart of accounts mSCOA regulation requirements.

The National Treasury with the promulgation of the mSCOA regulation standardise the municipal accounting reporting and required all municipalities to ensure reconciled the information submitted to council as well as treasury for country wide reporting on public funds. This requires municipalities to ensure that the information submitted to Council should be extracted from the financial system accounting database to ensure alignment of reports.

Due to the time constrains and the numerous technical compliance issues with the mSCOA segmental reporting, the administration was unable to ensure that the reports were extracted from the municipal financial system used in this report. To this effect the reports and tabled represented in this budget document was compiled manually and interpretation differences may exist between the mSCOA accounting system report as per National Treasury requirements and the administration.

Although the nett effect of the municipal adjustment information is the same between the mSCOA compliance accounting information and the municipal reporting information as presented in this report, technical differences will exist between the analysis of National Treasury and the administration.

The administration therefor endeavours to ensure that Council are presented with a revised Adjustment budget report that utilize the information from the financial system to ensure that fully compliant and reconciled information are presented to Council as will be used in the National reporting environment.

This paragraph serves to ensure council is aware of these interpretation differences and the commitment of administration to ensure that reconciled information is presented to all relevant stakeholders.

The report will therefore be updated with the information extracted from the financial system once available.

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					
Revenue By Source					
Property rates	74 061	643	74 704	79 271	84 847
Service charges - electricity revenue	136 457	(1 147)	135 310	143 553	156 329
Service charges - water revenue	30 178	-	30 178	32 291	34 551
Service charges - sanitation revenue	12 669	-	12 669	13 556	14 505
Service charges - refuse revenue	19 041	129	19 169	20 370	21 791
Rental of facilities and equipment	1 200	106	1 305	1 284	1 374
Interest earned - external investments	3 300	(890)	2 410	3 531	3 778
Interest earned - outstanding debtors	1 839	-	1 839	1 968	2 105
Dividends received	-	-	-	-	-
Fines, penalties and forfeits	12 419	(5 040)	7 379	13 288	14 218
Licences and permits	25	-	25	27	29
Agency services	3 121	-	3 121	3 340	3 573
Transfers and subsidies	75 102	3 279	78 381	65 201	67 102
Other revenue	10 633	4 599	15 232	11 235	11 998
Gains		2 200	2 200		
Total Revenue (excluding capital transfers and contributions)	380 044	3 878	383 922	388 912	416 201
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14 389	4 558	18 947	13 421	14 665

Material adjustments are briefly discussed below:

Property rates

The performance of the property rates revenue to date is better than year to date projections. This is mainly due to the increase in building activity in the coastal towns after the Lockdown regulations was eased and the business return to normal. The additional revenue projected for the financial year is mainly due to houses complete and now liable for higher tax rates.

Care should be taken that the ability of the community to pay should be carefully monitored and evaluated. This can have an impact on the final performance for property rates collectable.

Service Charges - Electricity

The impact of the COVID 19 pandemic is filtering through the municipal revenue collection and this can be seen by the performance of Electricity revenue for the period ending 31 December 2020. To date revenue

calculated totals at R67,5m. Year to date an underperformance is recorded of 6% based on projections.

Proposals to adjust the revenue downwards to the value of R1,14m is in the adjustment budget. The risk of additional load shedding that might be experienced for the rest of the financial year will also have a negative impact on the revenue collectable. This is due to a reduction in usages during this period.

Service Charges – Water

Revenue from water services totals R14.1m of budgeted amounts. A conservative approach was followed with the budgeting of service-related revenues. Projections indicate that the municipality will achieve budgeted amounts with no need for revision due to the conservative budget approach. Another spin-off of budgeting on this conservative method is that the impact of the COVID 19 pandemic will be limited due to not implementing aggressive budgeting principles.

Service Charges – Sanitation

Revenue from sanitation services totals R7,09m of budgeted amounts. A conservative approach was followed with the budgeting of service-related revenues. Projections indicate that the municipality will achieve budgeted amounts with no need for revision due to the conservative budget approach.

Service Charges – Refuse

Revenue from sanitation services totals R10,5m of budgeted amounts. Revenue from refuse charges was slightly upwards adjusted due to the year-to-date performance. Improvements and efficiencies in administration of the refuse function contributed to the better than projected performance.

Interest earned – external investments.

The impact of the Covid 19 pandemic resulted in a significant impact on the revenue for external investments. The limited business activity and the resulted decrease in the interest rate contributes to the underperformance for investment revenues. Proposal for reducing the interest on investments was therefor included in the Adjustment budget tabled.

The revenue was adjusted downwards with an amount of R890,000.

Fines, penalties and forfeits

Another casualty of the COVID 19 pandemic is the revenue collectable from fines issues and road related infringements. The effect of the lockdown was so severe that the municipal external service provider (TMT Traffic Fine Management) cancelled its operating business agreement in most local municipalities due to it not being feasible to operate in these economic conditions and environment.

To date performance for fines totals less than R1m of a budget in excess of R12m. The impact was a reduction of R5m in the revenue from fines budgeted.

The collectability of these fines is also a challenge and the municipal operations was therefore budgeted for provision of bad debts, due to the process of collecting the fines. With the compilation of the budget a projected collection rate of 27% was used in terms of fines issues. This has been adjusted to 20% of the revised fines budget.

The impact of the above is a reduction in the Bad debts provisions relating to fines, although in collectability terms the % written-off was increased.

Transfers Recognised – Operating

The following tables provide a breakdown of the additional transfers received and reduced with explanations below:

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					
RECEIPTS:					
Operating Transfers and Grants					
National Government:	37 359	3 291	40 650	37 930	39 340
Local Government Equitable Share	32 155	4 305	36 460	34 741	37 276
Energy Efficiency and Demand-side [Schedule 5B]	-	-	-	-	-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	2 026	-	2 026	-	-
Local Government Financial Management Grant [Schedule 5B]	1 257	9	1 266	1 140	1 118
Municipal Infrastructure Grant [Schedule 5B]	1 571	(1 023)	548	1 699	596
Municipal Systems Improvement Grant [Schedule 5B]	-	-	-	-	-
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	350	-	350	350	350
Provincial Government:	37 743	(12)	37 731	27 271	27 762
Human Settlement Development	30 889	-	30 889	20 452	20 784
Library Service Conditional Grant	6 307	(23)	6 284	6 673	6 832
Community Development Workers (CDW)	56	112	168	56	56
Financial Management Support (WC_FMGSG)	401	(101)	300	-	-
Roads Subsidy	90	-	90	90	90
	75 102	3 279	78 381	65 201	67 102
TOTAL RECEIPTS OF TRANSFERS & GRANTS	89 491	7 837	97 328	78 622	81 767
Operating % of total grants	84%	42%	81%	83%	82%

Transfers and grants revenues adjustment upwards / downwards due to the following:

National transfers

Local Government equitable share

National government as part of the mid-year budget review and in response to the Covid 19 pandemic allocated additional Equitable share funds to municipality to support the provision of Covid related support and reduce the impact of the loss in revenue on the municipal budget.

A total of R4,3m was allocated to Cape Agulhas municipality and the municipality was required to table a budget in September to account for these additional funding as well as indicate the proposed projects funded from the allocation.

Municipal Infrastructure grant (MIG)

The municipal allocation for MIG totals R10,96m for the financial year. The additional funds was an re-allocation in the budget between the capital and operational projects to align the projects with the MIG funding received.

Operational transfers

Library service Conditional grant

Re-alignment of the Library grant to accommodate essential Capital items required for functioning. Movement between the capital and operational allocations

Community development grant

The municipality receive and allocation from the provincial department for the support related to the functioning of the CDW's community development workers.

The budgeted allocated is the unspent grant from the 2019/20 financial year that was approved for roll-over by the department to the 2020/21 financial year.

Financial management support (WC FMS)

Provincial treasury as part of its ongoing support to municipality funds projects the municipality apply for on a yearly basis. With the provincial budget review process, the original allocation was reduced to prioritise the spending of the funds on the fight against the provincial Covid 19 pandemic.

Gains

The gains budgeted is as result of the income received from various properties and vacant land of the municipality. Council embarked on a strategy as part of the Revenue enhancement plan to sell-off access land not used for municipal operations.

The intention was to use these funds received, ring-fenced and allocate to the Capital Replacement Reserve (CRR) and use this as additional financing sources for long-term capital infrastructure related projects.

The budget of R2,2m should therefore be allocate to the CRR as per Revenue enhancement plan.

Transfers Recognised – Capital

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					
RECEIPTS:					
Capital Transfers and Grants					
National Government:	11 833	1 014	12 847		
Municipal Infrastructure Grant [Schedule 5B]	9 390	1 023	10 413	12 881	14 415
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	2 150	–	2 150	9 821	11 333
Local Government Financial Management Grant [Schedule 5B]	293	(9)	284	2 650	2 650
Energy Efficiency and Demand-side [Schedule 5B]	–	–	–	410	433
Provincial Government:	2 556	3 544	6 100		
Library Service Conditional Grant	56	23	79	540	250
Regional Social Economic Projects	2 000	–	2 000	40	250
WC Drought relief	500	(500)	–	500	–
DEAT Lesedi LED projects		171	171		–
DPLG Drought Relief (SB & AG)boreholes		3 050	3 050		–
DPT of Sport grant - Napier Soccer field		800	800		–
Total Capital Transfers and Grants	14 389	4 558	18 947	13 421	14 665
TOTAL RECEIPTS OF TRANSFERS & GRANTS	89 491	7 837	97 328	78 622	81 767
Capital % of total grants	16%	58%	19%	17%	18%

National transfers

Municipal Infrastructure grant (MIG)

The municipal allocation for MIG totals R10,96m for the financial year. The additional funds was an re-allocation in the budget between the capital and operational projects to align the projects with the MIG funding received.

Provincial transfers

Library service Conditional grant

Re-alignment of the Library grants to accommodate essential Capital items required for functioning. Movement between the capital and operational allocations

DPLG Drought relief support grant (Struisbay and Agulhas boreholes)

The Department of Local Government as part of its ongoing support to the municipality, approved and finance projects to the value of R3,050,000.

The funds were earmark for the drilling of boreholes in the Struisbay and Agulhas municipal area. This was financed to alleviate the impact of the drought on the municipal community and services.

DEAT LED projects – Lesedi containers

The Department of Economic Affairs and Tourism allocated an amount of R150,000 to the municipality during their mid-year budget review process. The funds is to support the Local Economic Development (LED) drive of the municipality with the establishment of the LESEDI LED containers.

And amount of R20,948 was also roll-over for inclusion into the budget from the previous financial year 2019/20 in support of the LED projects.

Department of Sport grant – Napier Soccer field.

The Department of Sport allocated an amount of R800,000 after receiving numerous business proposals to fund sport related projects in the Cape Agulhas municipal area. The funds was made available with the Mid-year review process of Provincial department.

The funds is allocated to co-fund the project in the Napier community an Multi-year project, the establishment of an Soccer field and related facilities.

Other Revenue

The adjustment related to the Other Revenue is mostly attributable to the **Infrastructure Recovery Levy** introduced by administration. These funds were earmarked to finance the infrastructure related projected funded from external borrowing.

This in effect means that the purpose of the finance is to set aside the allocation to ensure sufficient cash is available when these external loans become due and payable. Care should therefore be taken that the administration allocates these funds to the reserves and this should therefore not be used for operational functions in the operating budget. If the funds is used for any other purposes, this will defeat the original intention.

Budgeted amounts include as part of these funding total R4,368,000, this in effect means that the nett effect is a adjustment of R231,200 in various other revenue sources.

This is mainly as a result of the impact of Covid on the municipal operations.

Operating Expenditure

Adjustments to the operating expenditure program 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	149 348	293	149 641	156 055	164 985
Remuneration of councillors	6 034	–	6 034	6 324	6 632
Debt impairment	9 904	(135)	9 769	10 470	11 072
Depreciation & asset impairment	11 369	–	11 369	11 919	12 495
Finance charges	13 963	20	13 983	14 782	15 682
Bulk purchases	91 250	(20)	91 230	95 995	104 530
Other materials	56 336	(7 211)	49 125	46 958	48 514
Contracted services	14 955	8 472	23 427	14 950	15 549
Transfers and subsidies	4 071	(160)	3 911	2 605	2 641
Other expenditure	28 392	(2 547)	25 845	29 676	31 249
Losses		–	–		
Total Expenditure	385 623	(1 288)	384 335	389 734	413 349

Material adjustments are briefly discussed below:

Employee Related Costs

The increase in the employee related cost is mostly the nett effect of the adjustment process during the budget process. Numerous cost savings was identified due to vacancies not being filled. The impact of Covid 19 limiting municipal functions and operations.

Debt impairment

The provision for debt impairment relating to the fines was adjusted as discussed under the Fines income component. The fines impairment was adjusted downwards to account for an 80% bad debt provision in fines. Budget reviewed with R1.5m.

Additional provision related to the property rates and refuse service was also included a part of the budget provision. This provision was made to account for the increase in indigent support in the budget.

Bulk purchases

Review of the budget for water services downwards to align projections with spending.

Other materials

The reduction in other materials is mainly processed to align the Maintenance spending to account for maintenance performed inhouse and maintenance mostly performed by external contractors. The Auditor general as part of the audit review the municipal spending and issue a finding that some of the spending the administration account for other materials in terms of nature should be classify as Contracted services.

A review of the spending was undertaking and alignment of the budget is now include to correct the incorrect classification

Contracted Services

With the compilation of the Annual Financial statements for auditing purposes the administration discovered that the auditors reclassify expenditures recorded under materials and supply as contractor services. This is mainly expenditures related to the Maintenance budgets of the municipality. The result was that administration went on a reclassification exercise to bring the recording of the transactions in line with the actual nature of the expenditures. This in effect resulted in an increase in Contracted services previously recorded under other expenditures.

The nett effect is a significant increase in the contracted services budgeted with a corresponding decrease in other expenditures.

The benefits of the exercise are that administration can now evaluate the true spending of the municipality on contracted services or external service providers performing functions on behalf of administration.

With the cost containment regulation, this municipal spending will be more accurately control to ensure optimal benefits are achieve and services of external consultants is limited as far as possible.

Transfers and subsidies

Alignment of the funds paid to organisations based on projection and actual performance. The additional funds allocated to ensure the “free basic services” allocated to the Elim community also impacted the adjustment in expenditures.

Other Expenditure

Other expenditures represent the adjustments required to ensure operational objectives can be achieved and materials. Increases proposed for printing and stationery and telephone cost are some of the items that was increased.

Surplus/ (Deficit)

The nett effect of the adjustment budget is a decrease in the Operational deficit from the original budget of R5,579m to R413,000. on the Operational budget

Although this in effect reflect as positive the municipality needs to account for the impact of the following:

- The Infrastructure recovery levy of R4,368m
- The gains on the sale of land of R2,2m

Municipal practice is always to ensure that the income derived this levy and sale of land is “ring-fenced” and accounted for separately in the Capital Replacement Reserve. This is to ensure future funds is available to finance Basic infrastructure capital projects. The effect of these items has a significant bearing on the nett surplus from operations. Excluding these two items the municipal deficit will only deteriorate to a deficit from the original budget approved. This in effect means that council do not produce sufficient revenue to account for operational expenditures.

Considering all adjustments/reallocations, the following revenue and expenditure per vote is proposed:

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					
<u>Revenue by Vote</u>					
Vote 1 - Executive and Council	36 384	4 588	40 971	36 851	38 993
Vote 2 - Financial Services & ICT	81 968	6 388	88 356	86 950	92 933
Vote 3 - Corporate Services	-	-	-	-	-
Vote 4 - Management Services	61 415	(4 105)	57 310	52 242	54 698
Vote 5 - Engineering Services	214 666	1 565	216 231	226 291	244 242
Total Revenue by Vote	394 433	8 436	402 869	402 334	430 866
<u>Expenditure by Vote</u>					
Vote 1 - Executive and Council	47 891	(638)	47 253	48 251	50 773
Vote 2 - Financial Services & ICT	61 788	2 003	63 791	64 406	67 771
Vote 3 - Corporate Services	-	-	-	-	-
Vote 4 - Management Services	87 802	(1 586)	86 216	79 465	83 106
Vote 5 - Engineering Services	188 143	(1 067)	187 075	197 612	211 700
Total Expenditure by Vote	385 623	(1 288)	384 335	389 734	413 349
Surplus/ (Deficit) for the year	8 810	9 724	18 534	12 600	17 517

CAPITAL BUDGET

Adjustments to the capital budget 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					
Capital Expenditure - Functional					
<i>Governance and administration</i>	3 302	311	3 613	3 282	4 148
Executive and council	-	37	37	-	-
Finance and administration	3 302	274	3 577	3 282	4 148
Internal audit	-	-	-	-	-
<i>Community and public safety</i>	2 201	4	2 205	1 953	710
Community and social services	62	23	85	40	300
Sport and recreation	2 105	(19)	2 087	1 095	290
Public safety	31	-	31	818	120
Housing	4	(1)	3	-	-
Health	-	-	-	-	-
<i>Economic and environmental services</i>	11 907	1 614	13 521	14 826	17 958
Planning and development	2 006	182	2 188	500	-
Road transport	9 831	1 424	11 255	14 256	17 958
Environmental protection	70	8	78	70	-
<i>Trading services</i>	45 080	4 527	49 607	16 276	13 176
Energy sources	6 329	(203)	6 126	14 366	10 326
Water management	3 660	1 600	5 260	1 160	2 600
Waste water management	32 911	3 200	36 111	750	250
Waste management	2 180	(70)	2 110	-	-
<i>Other</i>	-	171	171	-	-
Total Capital Expenditure - Functional	62 490	6 627	69 117	36 337	35 992

Capital adjustment was adjusted to ensure council can commit all legislated commitments as well as perform the functions as per the municipal mandate.

Numerous projects were complete, and the budgeted amount aligned with the actual spending. These "savings" will partially off-set the increase in additional funding request for projects required for completion before 30 June 2021.

Project that have a significant impact on the increase in the capital budget is as follows:

Own Description	Budget 2020/21	Veriments / Amendments	Revised Budget 2020/21	Mid-year Adjustments	Mid-year Adjustment Budget 2020/21	Explanation / Comments
Mosaic Panel at Parkview			-	36 900,00	36 900,00	The project was funded from the operational budget and correction was required to capital. This was done at the New housing projet of the municipality
Community Facility - Markets: Ou Meule Informal Trading	-	175 000,00	175 000,00		175 000,00	Funds was required to complete the Ou Meule information trading are in Ou Muele weg
DEAT (DPLG) - Lesedi LED Containers units		150 000,00	150 000,00	20 900,00	170 900,00	Funding was gazette as part of Provincial treasury support of LED development in the community. Roll-over of unspent balance included in the budget.
Intangible assets: Software Vestra programs				225 000,00	225 000,00	Finance in the process to implement additional programs in the financial system to improve municipal reporting and limit the human intervention in the processing of transactions. Programs for investments and loans are proposed to improved operations.
Computer Equipments: NAS Device				150 000,00	150 000,00	Additional ICT equipment requirements to address the Microsoft licenses and support that expired recently
Smart city project	2 000 000,00		2 000 000,00	- 150 000,00	1 850 000,00	Reduction in the budget for Smart City due to the Covid 19 limitation on operations as well as achieving of milestones
Construction - Soccer Field (Napier)	1 200 000,00		1 200 000,00	- 800 000,00	400 000,00	Grant received to co-fund Sport related projects from the Department of Sport and recreation. Reduction of municipal own funds to limit the impact on the reserves
Dept of Sport: Construction - Soccer Field (Napier)				800 000,00	800 000,00	Grant received to co-fund Sport related projects from the Department of Sport and recreation. Reduction of municipal own funds to limit the impact on the reserves
Equipment for boreholes in Napier and Suiderstrand	-		-	250 000,00	250 000,00	Equipment needed to ensure the borehole is functional and safeguard the municipal asset.
DPLG GRANT - DROUGHT RELIEF (BOREHOLES SB &AGUL)	-		-	3 050 000,00	3 050 000,00	Grant received from the Department of Local Government (DPLG). This was to funds municipal project related to water security in the area. Funds allocated to Struisbay and Agulhas boreholes projects
Replacement of Rising Main in L'Agulhas	2 500 000,00		2 500 000,00	- 1 200 000,00	1 300 000,00	Reduction in own funded project due to grant funding received from DPLG
Informal toilet structure		250 000,00	250 000,00		250 000,00	Project funding required to urgently address the backlog in service delivery and ensure improvement in the conditions of the community.

Own Description	Budget 2020/21	Veriments / Amendments	Revised Budget 2020/21	Mid-year Adjustments	Mid-year Adjustment Budget 2020/21	Explanation / Comments
Refurbishment of Struisbaai Noord Sewer Pumpstation		2 000 000,00	2 000 000,00		2 000 000,00	Project funding required to urgently address the backlog in service delivery and ensure improvement in the conditions of the community.
Replacement Vacuum Tank - CS1577	100 000,00		100 000,00	200 000,00	300 000,00	Additional funds required to complete the project. Projections that more funds needed based on SCM processes and outcomes.
Wheelie bins	380 000,00	- 111 500,00	268 500,00	100 000,00	368 500,00	Funds was reviewed. With the expansion of services to new Housing schemes, the funds is needed to ensure all communities are serviced.
Bdorp RDP - Upgrade Roads	4 910 757,00		4 910 757,00	992 820,00	5 903 577,00	Alignment of the MIG funds to ensure municipality budget as per allocation received
Construction Roux Street Bredasdorp	500 000,00		500 000,00	- 50 000,00	450 000,00	Project saving and re-allocated to other projects
Stormwater Rand / Sabat str- Bredasdorp	500 000,00		500 000,00	- 300 000,00	200 000,00	Project saving and re-allocated to other projects
Reseal of Roads CAM / Master plan	1 500 000,00		1 500 000,00	500 000,00	2 000 000,00	Saving allocated to Project. This was done to ensure completion of all activities as per the Terms of Reference of SCM tender.
Struisbay Industrial services (Roads / Stormwater)	800 000,00	290 610,00	1 090 610,00	3 350,00	1 093 960,00	Additional funds needed to ensure improvement of Road for use as per discussion with Ward leaders.
Generator: Borehole 4-8 Struisbaai including booster pumps and one additional borehole 120KVA	367 000,00	- 12 650,00	354 350,00	- 66 550,00	287 800,00	Savings on project after finalisation of SCM processes of procurement
Generator: Borehole 1-3 Struisbaai: 65KVA	245 000,00		245 000,00	- 51 500,00	193 500,00	Savings on project after finalisation of SCM processes of procurement
Generator: Boreholes L'Agulhas: 60KVA	245 000,00		245 000,00	- 51 700,00	193 300,00	Savings on project after finalisation of SCM processes of procurement
Generator: Boreholes Suiderstrand: 25KVA	135 000,00	12 650,00	147 650,00		147 650,00	Savings on project after finalisation of SCM processes of procurement

The nett effect of the capital budget adjustments is an increase of R6,627,780 from the original approved budget. These increases will be finance as follows:

Own Description	Budget 2020/21	Veriments / Amendme	Revised Budget 2020/21	Mid-year Adjustments	Mid-year Adjustment Budget	Budget 2021/22	Budget 2022/23
Internal Funding - CRR	11 787 311	2 348 260	14 135 571	- 574 460	13 561 111	16 453 033	17 671 186
Library Grant	56 000	-	56 000	22 900	78 900	40 000	250 000
External Loans	34 383 367	278 610	34 661 977	75 000	34 736 977	5 862 200	3 655 265
Vehicle Financing (borrowing)	1 800 000	- 58 500	1 741 500	-	1 741 500	600 000	-
Municipal Infrastructure Grant	9 390 130	30 000	9 420 130	992 820	10 412 950	9 821 348	11 332 550
Integrated National Electrification Grant	2 150 000	-	2 150 000	-	2 150 000	2 650 000	2 650 000
Energy Efficiency Demand Side Management	-	-	-	-	-	-	-
Financial Management Grant	293 000	-	293 000	- 8 750	284 250	410 000	432 500
Provincial Support grant (RSEP)	2 000 000	-	2 000 000	-	2 000 000	500 000	-
Provincial Support grant (DEAT)	-	150 000	150 000	20 900	170 900	-	-
Provincial Support grant (Roll-over)	500 000	-	500 000	- 500 000	-	-	-
Provincial Traffic (Donation)	130 000	-	130 000	-	130 000	-	-
Provincial Support grant (Sport)	-	-	-	800 000	800 000	-	-
Provincial Support grant (DPLG)	-	-	-	3 050 000	3 050 000	-	-
TOTAL	62 489 808	2 748 370	65 238 178	3 878 410	69 116 588	36 336 581	35 991 501

FINANCIAL SUSTAINABILITY

The effect and the impact of the Covid 19 pandemic will only start filtering through the municipal operations over the coming months and with the compilation of the new budget for the 2021/22 MTREF period.

All municipalities will need to ensure that optimal level of services is delivered with a shrinking revenue base. The municipality will need to ensure that optimal use of resources with limited scope for extra services is included in the municipal budgets.

The long-term financial plan was review and update as well as the Independent Financial assessment. Both these plans should serve as warning signs that the municipality will have to review business processes and operating procedures to ensure financial sustainability can be sustained over the foreseeable future. The municipality is currently in a fairly stable sustainable “footing” but this situation can change with significant impact from any number of events in the future. The trends as observed from these strategic documents was also negative if no actions is being implemented and this will impact on long-term sustainability if not addressed.

The ability of the community to pay for services as well as the collectability of income should be carefully monitored and analyse to ensure the trend is not spiralling out of control and the municipality is negatively affected.

The main goal of this plan is to guide all future budget related decisions made by the municipality that will ensure that the financial position of the municipality remains healthy.

UNFORSEEN AND UNAVOIDABLE EXPENDITURE

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

Recommendations

It is recommended:

- 1) That the Council approves the adjustments budget; and
That the Council approves the changes to the service delivery and budget implementation plan.

Section 2 - Budget Related Resolutions

ADJUSTMENT BUDGET 2019/2020

The resolution tabled at Council for consideration with approval of the adjustments budget is:

RECOMMENDATION:

a) That the adjustments budget of Cape Agulhas Municipality for the financial year 2020/21 as set out in the schedules contained in section 4 be approved:

- Table B1 – Adjustments Budget Summary
- Table B2 – Adjustments Budgeted Financial Performance (revenue and expenditure by standard classification)
- Table B3 – Adjustments Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Table B4 – Adjustments Budgeted Financial Performance (revenue and expenditure)
- Table B5 – Adjustments Budgeted Capital Expenditure by vote, standard classification and funding
- Table B6 – Adjustments Budgeted Financial Position
- Table B7 – Adjustments Budgeted Cash Flows
- Table B8 – Adjustments Cash backed reserves/accumulated surplus reconciliation
- Table B9 – Adjustments Budget Asset Management
- Table B10 – Adjustments Budget Basic service delivery measurement

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

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

Section 3 – Executive Summary

Introduction

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

Expenditure in the proposed adjustment budget were guided by the principles and strategies identified in the Cost Containment Regulation which will definitely have a positive effect on the overall financial position of the municipality.

All proposed adjustments are discussed in Part 1 of this report.

Section 4 – Adjustment budget tables

The adjustments budget tables are included in this document as Tables B1 to B10.

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

The Budget tables are:

Table B1 – Adjustments Budget Summary

WC033 Cape Agulhas - Table B1 Adjustments Budget Summary - Mid-year Adjustment Budget					
Description	Budget Year 2020/21			Budget Year	Budget Year
	Original Budget	Total Adjusts.	Adjusted Budget	+1 2021/22	+2 2022/23
		7	8	Adjusted Budget	Adjusted Budget
R thousands					
<u>Financial Performance</u>					
Property rates	74 061	643	74 704	79 271	84 847
Service charges	198 345	(1 019)	197 326	209 769	227 176
Investment revenue	3 300	(890)	2 410	3 531	3 778
Transfers recognised - operational	75 102	3 279	78 381	65 201	67 102
Other own revenue	29 236	1 865	31 101	31 140	33 297
Total Revenue (excluding capital transfers and contributions)	380 044	3 878	383 922	388 912	416 201
Employee costs	149 348	293	149 641	156 055	164 985
Remuneration of councillors	6 034	–	6 034	6 324	6 632
Depreciation & asset impairment	11 369	–	11 369	11 919	12 495
Finance charges	13 963	20	13 983	14 782	15 682
Materials and bulk purchases	147 587	(7 231)	140 356	142 953	153 043
Transfers and grants	4 071	(160)	3 911	2 605	2 641
Other expenditure	53 251	5 790	59 041	55 097	57 871
Total Expenditure	385 623	(1 288)	384 335	389 734	413 349
Surplus/(Deficit)	(5 579)	5 166	(413)	(822)	2 852
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14 389	4 558	18 947	13 421	14 665
Surplus/(Deficit) after capital transfers & contributions	8 810	9 724	18 534	12 600	17 517
Share of surplus/ (deficit) of associate	–	–	–	–	–
Surplus/ (Deficit) for the year	8 810	9 724	18 534	12 600	17 517
<u>Capital expenditure & funds sources</u>					
Capital expenditure	62 490	6 627	69 117	36 337	35 992
Transfers recognised - capital	14 389	4 527	18 916	13 421	14 665
Borrowing	36 183	(205)	35 978	6 462	3 655
Internally generated funds	11 917	2 305	14 222	16 453	17 671
Total sources of capital funds	62 490	6 627	69 117	36 337	35 992

WC033 Cape Agulhas - Table B1 Adjustments Budget Summary - Mid-year Adjustment Budget					
Description	Budget Year 2020/21			Budget Year	Budget Year
	Original Budget	Total Adjusts. 7	Adjusted Budget 8	+1 2021/22 Adjusted Budget	+2 2022/23 Adjusted Budget
R thousands					
<u>Financial position</u>					
Total current assets	89 218	–	89 218	99 430	104 355
Total non current assets	503 116	–	503 116	527 526	551 015
Total current liabilities	66 108	–	66 108	68 889	72 673
Total non current liabilities	125 295	–	125 295	134 537	141 649
Community wealth/Equity	410 931	9 724	420 654	423 530	441 048
<u>Cash flows</u>					
Net cash from (used) operating	2 579	8 778	11 357	18 285	31 993
Net cash from (used) investing	(62 482)	(6 627)	(69 109)	(36 329)	(35 984)
Net cash from (used) financing	22 239	–	22 239	29	(3 009)
Cash/cash equivalents at the year end	26 332	66 146	92 478	8 316	1 316
<u>Cash backing/surplus reconciliation</u>					
Cash and investments available	16 332	–	16 332	8 316	1 316
Application of cash and investments	(11 078)	(14)	(11 092)	(43 439)	(59 245)
Balance - surplus (shortfall)	27 410	14	27 424	51 755	60 561
<u>Asset Management</u>					
Asset register summary (WDV)	502 947	–	502 947	527 364	550 861
Depreciation & asset impairment	11 369	–	11 369	11 919	12 495
Renewal and Upgrading of Existing Assets	51 357	–	51 357	18 811	24 198
Repairs and Maintenance	71 861	–	71 861	74 666	78 875
<u>Free services</u>					
Cost of Free Basic Services provided	10 375	–	10 375	11 103	11 887
Revenue cost of free services provided	1 225	–	1 225	1 285	1 348
<u>Households below minimum service level</u>					
Water:	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–
Energy:	–	–	–	–	–
Refuse:	–	–	–	–	–

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

WC033 Cape Agulhas - Table B2 Adjustments Budget Financial Performance (functional classification) - Mid-year Adjustment budget					
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					
Governance and administration	127 465	13 924	141 388	134 619	143 637
Executive and council	32 185	4 305	36 490	34 771	37 306
Finance and administration	95 280	9 619	104 898	99 848	106 331
Internal audit	-	-	-	-	-
Community and public safety	58 298	(4 174)	54 124	48 749	50 957
Community and social services	6 734	126	6 860	6 951	7 333
Sport and recreation	8 040	700	8 740	8 173	8 745
Public safety	12 460	(5 000)	7 460	13 172	14 094
Housing	31 064	-	31 064	20 452	20 784
Health	-	-	-	-	-
Economic and environmental services	7 231	171	7 402	6 097	5 989
Planning and development	4 110	171	4 281	2 757	2 415
Road transport	3 121	-	3 121	3 340	3 573
Environmental protection	-	-	-	-	-
Trading services	201 439	(1 485)	199 955	212 869	230 284
Energy sources	139 038	(1 113)	137 924	146 638	159 421
Water management	30 682	(500)	30 182	32 294	34 555
Waste water management	12 679	-	12 679	13 567	14 517
Waste management	19 041	129	19 169	20 370	21 791
Other	-	-	-	-	-
Total Revenue - Functional	394 433	8 436	402 869	402 334	430 866

WC033 Cape Agulhas - Table B2 Adjustments Budget Financial Performance (functional classification) - Mid-year Adjustment budget					
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					
Expenditure - Functional					
Governance and administration	107 460	1 330	108 790	110 536	116 392
Executive and council	16 955	(90)	16 865	16 089	16 791
Finance and administration	88 977	1 453	90 430	92 839	97 909
Internal audit	1 528	(33)	1 495	1 608	1 693
Community and public safety	77 983	(2 017)	75 966	69 083	72 107
Community and social services	11 385	(455)	10 929	11 894	12 589
Sport and recreation	13 496	(100)	13 396	13 706	14 472
Public safety	19 089	(1 397)	17 692	19 917	20 971
Housing	34 014	(64)	33 949	23 565	24 075
Health	-	-	-	-	-
Economic and environmental services	32 395	(345)	32 050	34 034	35 911
Planning and development	11 342	(292)	11 050	11 930	12 553
Road transport	20 976	(21)	20 954	22 023	23 273
Environmental protection	77	(31)	46	81	85
Trading services	164 610	(74)	164 536	172 881	185 560
Energy sources	106 613	427	107 040	112 145	121 514
Water management	22 604	(371)	22 233	23 623	24 862
Waste water management	11 960	(124)	11 836	12 563	13 200
Waste management	23 433	(6)	23 427	24 550	25 984
Other	3 176	(183)	2 993	3 199	3 379
Total Expenditure - Functional	385 623	(1 288)	384 335	389 734	413 349
Surplus/ (Deficit) for the year	8 810	9 724	18 534	12 600	17 517

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

WC033 Cape Agulhas - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - Mid-year Adjustment budget					
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 and Council	36 384	4 588	40 971	36 851	38 993
Vote 2 - Financial Services & ICT	81 968	6 388	88 356	86 950	92 933
Vote 3 - Corporate Services	-	-	-	-	-
Vote 4 - Management Services	61 415	(4 105)	57 310	52 242	54 698
Vote 5 - Engineering Services	214 666	1 565	216 231	226 291	244 242
Total Revenue by Vote	394 433	8 436	402 869	402 334	430 866
Expenditure by Vote					
Vote 1 - Executive and Council	47 891	(638)	47 253	48 251	50 773
Vote 2 - Financial Services & ICT	61 788	2 003	63 791	64 406	67 771
Vote 3 - Corporate Services	-	-	-	-	-
Vote 4 - Management Services	87 802	(1 586)	86 216	79 465	83 106
Vote 5 - Engineering Services	188 143	(1 067)	187 075	197 612	211 700
Total Expenditure by Vote	385 623	(1 288)	384 335	389 734	413 349
Surplus/ (Deficit) for the year	8 810	9 724	18 534	12 600	17 517

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

WC033 Cape Agulhas - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - Mid-year Adjustment budget					
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	74 061	643	74 704	79 271	84 847
Service charges - electricity revenue	136 457	(1 147)	135 310	143 553	156 329
Service charges - water revenue	30 178	–	30 178	32 291	34 551
Service charges - sanitation revenue	12 669	–	12 669	13 556	14 505
Service charges - refuse revenue	19 041	129	19 169	20 370	21 791
Rental of facilities and equipment	1 200	106	1 305	1 284	1 374
Interest earned - external investments	3 300	(890)	2 410	3 531	3 778
Interest earned - outstanding debtors	1 839	–	1 839	1 968	2 105
Dividends received	–	–	–	–	–
Fines, penalties and forfeits	12 419	(5 040)	7 379	13 288	14 218
Licences and permits	25	–	25	27	29
Agency services	3 121	–	3 121	3 340	3 573
Transfers and subsidies	75 102	3 279	78 381	65 201	67 102
Other revenue	10 633	4 599	15 232	11 235	11 998
Gains	–	2 200	2 200	–	–
Total Revenue (excluding capital transfers and	380 044	3 878	383 922	388 912	416 201
Expenditure By Type					
Employee related costs	149 348	293	149 641	156 055	164 985
Remuneration of councillors	6 034	–	6 034	6 324	6 632
Debt impairment	9 904	(135)	9 769	10 470	11 072
Depreciation & asset impairment	11 369	–	11 369	11 919	12 495
Finance charges	13 963	20	13 983	14 782	15 682
Bulk purchases	91 250	(20)	91 230	95 995	104 530
Other materials	56 336	(7 211)	49 125	46 958	48 514
Contracted services	14 955	8 472	23 427	14 950	15 549
Transfers and subsidies	4 071	(160)	3 911	2 605	2 641
Other expenditure	28 392	(2 547)	25 845	29 676	31 249
Losses	–	–	–	–	–
Total Expenditure	385 623	(1 288)	384 335	389 734	413 349
Surplus/(Deficit)	(5 579)	5 166	(413)	(822)	2 852
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14 389	4 558	18 947	13 421	14 665
Surplus/(Deficit) before taxation	8 810	9 724	18 534	12 600	17 517
Taxation	–	–	–	–	–
Surplus/(Deficit) after taxation	8 810	9 724	18 534	12 600	17 517
Attributable to minorities	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	8 810	9 724	18 534	12 600	17 517
Share of surplus/ (deficit) of associate	–	–	–	–	–
Surplus/ (Deficit) for the year	8 810	9 724	18 534	12 600	17 517

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

WC033 Cape Agulhas - Table B5 Adjustments Capital Expenditure Budget by vote and funding - Mid-year Adjustment					
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 - Functional					
Governance and administration	3 302	311	3 613	3 282	4 148
Executive and council	–	37	37	–	–
Finance and administration	3 302	274	3 577	3 282	4 148
Internal audit	–	–	–	–	–
Community and public safety	2 201	4	2 205	1 953	710
Community and social services	62	23	85	40	300
Sport and recreation	2 105	(19)	2 087	1 095	290
Public safety	31	–	31	818	120
Housing	4	(1)	3	–	–
Health	–	–	–	–	–
Economic and environmental services	11 907	1 614	13 521	14 826	17 958
Planning and development	2 006	182	2 188	500	–
Road transport	9 831	1 424	11 255	14 256	17 958
Environmental protection	70	8	78	70	–
Trading services	45 080	4 527	49 607	16 276	13 176
Energy sources	6 329	(203)	6 126	14 366	10 326
Water management	3 660	1 600	5 260	1 160	2 600
Waste water management	32 911	3 200	36 111	750	250
Waste management	2 180	(70)	2 110	–	–
Other	–	171	171	–	–
Total Capital Expenditure - Functional	62 490	6 627	69 117	36 337	35 992
Funded by:					
National Government	11 833	794	12 627	12 881	14 415
Provincial Government	2 556	3 733	6 289	540	250
District Municipality	–	–	–	–	–
Transfers and subsidies - capital	–	–	–	–	–
Transfers recognised - capital	14 389	4 527	18 916	13 421	14 665
Borrowing	36 183	(205)	35 978	6 462	3 655
Internally generated funds	11 917	2 305	14 222	16 453	17 671
Total Capital Funding	62 490	6 627	69 117	36 337	35 992

Table B6 – Adjustments Budgeted Financial Position

WC033 Cape Agulhas - Table B6 Adjustments Budget Financial Position - Mid-year Adjustment					
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	16 332	-	16 332	8 316	1 316
Call investment deposits	-	-	-	-	-
Consumer debtors	61 735	-	61 735	77 989	87 639
Other debtors	9 481	-	9 481	11 455	13 729
Current portion of long-term receivables	8	-	8	8	8
Inventory	1 662	-	1 662	1 662	1 662
Total current assets	89 218	-	89 218	99 430	104 355
Non current assets					
Long-term receivables	169	-	169	161	154
Investments	-	-	-	-	-
Investment property	40 182	-	40 182	40 173	40 163
Investment in Associate	-	-	-	-	-
Property, plant and equipment	458 559	-	458 559	483 327	507 191
Biological	-	-	-	-	-
Intangible	4 206	-	4 206	3 865	3 507
Other non-current assets	-	-	-	-	-
Total non current assets	503 116	-	503 116	527 526	551 015
TOTAL ASSETS	592 334	-	592 334	626 955	655 369
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-	-	-
Borrowing	6 750	-	6 750	7 000	7 250
Consumer deposits	5 277	-	5 277	5 594	5 929
Trade and other payables	39 989	-	39 989	41 357	43 659
Provisions	14 093	-	14 093	14 938	15 835
Total current liabilities	66 108	-	66 108	68 889	72 673
Non current liabilities					
Borrowing	42 539	-	42 539	42 002	38 407
Provisions	82 755	-	82 755	92 535	103 243
Total non current liabilities	125 295	-	125 295	134 537	141 649
TOTAL LIABILITIES	191 403	-	191 403	203 425	214 322
NET ASSETS	400 931	-	400 931	423 530	441 048
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)	390 931	9 703	400 634	418 530	441 048
Reserves	20 000	-	20 000	5 000	(0)
TOTAL COMMUNITY WEALTH/EQUITY	410 931	9 703	420 634	423 530	441 048

Table B7 – Adjustments Budgeted Cash Flows

WC033 Cape Agulhas - Table B7 Adjustments Budget Cash Flows - Mid-year Adjustment					
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	66 655	579	67 234	74 119	81 453
Service charges	178 510	(917)	177 593	196 134	218 089
Other revenue	18 213	(225)	17 988	19 391	20 760
Transfers and Subsidies - Operational	75 102	3 279	78 381	65 201	67 102
Transfers and Subsidies - Capital	13 889	5 058	18 947	13 421	14 665
Interest	4 955	(859)	4 096	5 371	5 799
Dividends	-	-	-	-	-
Payments					
Suppliers and employees	(347 027)	1 723	(345 303)	(348 738)	(368 831)
Finance charges	(3 648)	(20)	(3 668)	(4 008)	(4 404)
Transfers and Grants	(4 071)	160	(3 911)	(2 605)	(2 641)
NET CASH FROM/(USED) OPERATING ACTIVITIES	2 579	8 778	11 357	18 285	31 993
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Decrease (increase) in non-current receivables	8	-	8	8	8
Payments					
Capital assets	(62 490)	(6 627)	(69 117)	(36 337)	(35 992)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(62 482)	(6 627)	(69 109)	(36 329)	(35 984)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans	-	-	-	-	-
Borrowing long term/refinancing	28 440	-	28 440	6 462	3 655
Increase (decrease) in consumer deposits	299	-	299	317	336
Payments					
Repayment of borrowing	(6 500)	-	(6 500)	(6 750)	(7 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	22 239	-	22 239	29	(3 009)
NET INCREASE/ (DECREASE) IN CASH HELD	(37 664)	2 151	(35 513)	(18 016)	(7 000)
Cash/cash equivalents at the year begin:	63 996	63 996	127 991	26 332	8 316
Cash/cash equivalents at the year end:	26 332	66 146	92 478	8 316	1 316

Table B8 – Adjustments Cash backed reserves/accumulated surplus reconciliation

WC033 Cape Agulhas - Table B8 Cash backed reserves/accumulated surplus reconciliation - Mid-year Adjustment					
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	26 332	66 146	92 478	8 316	1 316
Other current investments > 90 days	(10 000)	(66 146)	(76 146)	(0)	0
Non current assets - Investments	-	-	-	-	-
Cash and investments available:	16 332	-	16 332	8 316	1 316
Applications of cash and investments					
Unspent conditional transfers	354	-	354	354	354
Unspent borrowing	-	-	-	-	-
Statutory requirements	-	-	-	-	-
Other working capital requirements	(31 432)	(14)	(31 446)	(48 793)	(59 599)
Other provisions	-	-	-	-	-
Long term investments committed	-	-	-	-	-
Reserves to be backed by cash/investments	20 000	-	20 000	5 000	(0)
Total Application of cash and investments:	(11 078)	(14)	(11 092)	(43 439)	(59 245)
Surplus(shortfall)	27 410	14	27 424	51 755	60 561

PART 2 – SUPPORTING DOCUMENTATION

Section 5 – Measurable performance objectives and indicators

Changes to measurable performance objectives and indicators are included in the supporting tables (SB3) attached. 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 other than the alignment of assumptions to the actual results for the year ending 30 June 2019.

Section 8 – Funding compliance

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

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.

9.1 Funding of operating and capital expenditure

As indicated in schedule B8, the municipality's budget is cash funded. The municipality did introduce external funding in the proposed capital funding model. The introduction of external funding alleviated the pressure on own cash resources to the extent that there is a projected inflow of resources for the year ending 30 June 2019. The municipality should explore further avenues to ensure that this positive trend continues in future.

9.2 Financial plans

The long-term plan was reviewed during the 2018/19 financial year. This plan needs to be implemented and continuously monitored to ensure the outcomes as identified in the long-term financial plan are achieved.

9.3 Reserves

Reserves will be cash backed throughout the MTREF.

PART 3 – SUPPORTING TABLES

Council as part of its operational strategy of going paperless is exploring the utilisation of using less paper documentation being made available in hard document format.

Considering these initiatives the following applies:

The following list of supporting tables is not included as part of the budget documents. These documents is electronically available and part of the complete budget report.

It should be emphasized that the completion of these documentation is essential to produce the report as tabled.

LIST OF DOCUMENTATION:

- SB1 – Supporting detail to Budgeted Financial performance
- SB2 – Supporting detail to Financial Position budget
- SB3 – Adjustments to the SDBIP Performance objectives
- SB4 - Adjustments to budgeted performance indicators and benchmarks
- SB5 – Social, economic and demographics statistics and assumption
- SB6 –Funding measurement
- SB7 – Transfers and grants receipts
- SB8 – Expenditure on transfers and grants programme
- SB9 – Reconciliation of transfers, grant receipts, and unspent funds
- SB10 – Transfers and grants made by the municipality
- SB11 – Councillor and staff benefits
- SB12 – Monthly revenue and expenditure (municipal vote)
- SB13 – Monthly revenue and expenditure (functional classification)
- SB14 – Monthly revenue and expenditure
- SB15 – Monthly cash flow
- SB16 – Monthly capital expenditure (municipal vote)
- SB17 – Monthly capital expenditure (functional classification)
- SB18a – Capital expenditure on new assets by asset class
- SB18b – Capital expenditure on renewal of existing assets by asset class
- SB18c – Expenditure on repairs and maintenance by asset class
- SB18d – Depreciation by asset class
- SB18e – Capital expenditure on upgrading of existing assets by asset class
- SB19 – List of capital programmes and projects affected by Adjustment Budget
- SB20 – Not required

Section 10 - Municipal Manager's quality certificate

NAVRAE:
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO 028 425 5798

VERW:
REF: 5/3/2020-21 (S71/72)

KANTOOR:
OFFICES: Bredasdorp

DATUM
DATE 11 January 2021



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASTPALA WASECAPE AGULHAS

QUALITY CERTIFICATE

I, **EBEN PHILLIPS** the accounting officer / chief financial officer of **CAPE AGULHAS MUNICIPALITY WC033** (name of municipality), hereby certify that –

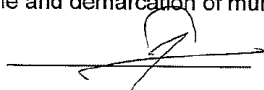
(mark as appropriate)

- The monthly budget statement
- Quarterly report on the implementation of the budget and financial state affairs of the municipality
- Mid- year budget and performance assessment

For the month ending **31 DECEMBER 2020** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name Eben Phillips

Accounting Officer / Chief Financial Officer of **CAPE AGULHAS MUNICIPALITY WC033** (name and demarcation of municipality)

Signature: 

Date: 11 January 2020