

ADJUSTMENT BUDGET 2020/2021

NARRATION ON THE ADJUSTMENT BUDGET

Not a lot of adjustments were made from the previous budget. However, necessary changes had to be made as a result material under-collection at mid-year point which were detailed on the Section 72 Report.

These adjustments will negatively affect the annual budget and therefore the following remedial action must be strictly implemented;

The municipality remains under severe cash flow constraints. This has been exacerbated by the material under collection of revenue which both the council and the administration need to seriously look into as the current situation is not sustainable if we will continue with this trajectory.

Revenue section must take all the necessary steps to ensure that the projected revenue is collected. This section is severely understaffed currently which poses a challenge for them to effectively perform their function. We intend to appoint an Accountant to strengthen this section by **1 April 2021** however this is still not enough.

Cost containment measures will need to be implemented on the expenditure side. This however becomes a challenge when the council takes decisions such as the appointment of office bearers which were not on the budget and the budget funding plan.

The appointment of staff in critical vacancies needs to be prioritised especially on the Engineering Department as this will reduce the high expenditure on Overtime and Standby and improve the level of service delivery.

This report is therefore just a synopsis on these adjustments that were eventually made.

Adjustments on Revenue Category

WC041 Kannaland - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -												
Description	Ref	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	9 678	24 471	-	-	-	-	(1 651)	(1 651)	22 821	10 896	12 233
Service charges - electricity revenue	2	55 943	59 485	-	-	-	-	(2 991)	(2 991)	56 494	62 072	69 134
Service charges - water revenue	2	21 626	21 626	-	-	-	-	(4 513)	(4 513)	17 113	23 197	24 881
Service charges - sanitation revenue	2	7 520	6 149	-	-	-	-	1 458	1 458	7 607	6 589	6 923
Service charges - refuse revenue	2	6 945	6 945	-	-	-	-	7	7	6 952	7 292	7 657
Service charges - other		-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		17	367	-	-	-	-	200	200	567	500	600
Interest earned - external investments		-	700	-	-	-	-	115	115	815	1 000	1 100
Interest earned - outstanding debtors		5 567	5 567	-	-	-	-	(113)	(113)	5 454	5 565	5 895
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		7 384	7 584	-	-	-	-	(1 230)	(1 230)	6 354	7 627	8 009
Licences and permits		50	500	-	-	-	-	(285)	(285)	215	53	55
Agency services		1 000	1 000	-	-	-	-	25	25	1 025	1 050	1 103
Transfers and subsidies		37 753	44 819	-	-	-	-	1 254	1 254	46 074	43 414	51 163
Other revenue	2	365	365	-	-	-	-	173	173	538	329	349
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		153 848	179 579	-	-	-	-	(7 549)	(7 549)	172 030	169 584	189 101

The current average debtors' collection is **73 percent**. The targeted debt collection of **85 percent** could not be attained at mid-year therefore a downward adjustment was necessary.

The above-mentioned table displays a downward adjustment of the Service Charges.

A roll-over application of INEP amounting to **R2.6 million** was approved by National Treasury therefore an upward adjustment on Transfers and Subsidies was made.

These adjustments are also in line with the budget assessment recommendations by the Provincial Treasury during their mid-year assessment.

Adjustments on the Expenditure Category

Description	Ref	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
			3	4	5	6	7	8	9	10		
R thousands	1	A	A1	B	C	D	E	F	G	H		
Expenditure By Type												
Employee related costs		58 317	61 087	-	-	-	-	(90)	(90)	60 997	60 941	65 800
Remuneration of councillors		3 578	3 262	-	-	-	-	132	132	3 394	3 757	3 945
Debt impairment		11 923	12 139	-	-	-	-	1 399	1 399	13 538	10 262	10 996
Depreciation & asset impairment		12 231	12 222	-	-	-	-	-	-	12 222	12 843	13 485
Finance charges		227	181	-	-	-	-	-	-	181	229	231
Bulk purchases		42 693	43 593	-	-	-	-	(830)	(830)	42 763	45 474	48 610
Other materials		6 207	10 507	-	-	-	-	1 370	1 370	11 877	6 833	7 311
Contracted services		15 682	18 926	-	-	-	-	(455)	(455)	18 471	21 539	28 480
Transfers and subsidies		470	470	-	-	-	-	-	-	470	494	518
Other expenditure		11 857	12 958	-	-	-	-	897	897	13 855	14 763	15 564
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		163 186	175 344	-	-	-	-	2 423	2 423	177 767	177 135	194 940

The following contributing factors have resulted into the increase on expenditure category;

- The unsuccessful application for the exemption of 6.23 percent salary increases. The office bearer's appointment which was originally not budgeted for. As such, the filling of critical vacancies which was originally budgeted for had to be put on hold in order to accommodate this increase.
- The high expenditure on Standby and Overtime which is mainly as a result of capacity constraints in so far as the human resources is concerned. The appointment of staff in critical posts is crucial at this stage as this will not only reduce the overtime and standby expenditure but will also improve the level of service delivery.
- The legal fees have also been adjusted upwards as the municipality anticipates currently have a couple of litigations.
- A provision for Debt Impairment (Non-Cash Item) had to be made due to under collection.

As a result of these adjustments, the municipality has now a deficit of **R5.7 million** which we need to secure in order to have a funded budget.

Adjustment on the Capital Budget

The only notable adjustment on the capital budget is for the acquisition of second-hand vehicles which cost about **R700 thousand**. We intend to acquire these vehicles from the auction that will be hosted by the City of Cape Town.

MSCOA Compliance

We are still experiencing technical challenges with our Adjustment Budget Reporting template (B-Schedule) as it still shows incorrect formulas on the Cash Flow Worksheet (B7). We are currently working on this in conjunction with Provincial Treasury.