

STRICTLY CONFIDENTIAL

EXECUTIVE SUMMARY

SUBMISSION TO : Council

DIVISION REQUESTING THE SUBMISSION : Finance

TITLE OF THE SUBMISSION

Special budget 2019/20

1. SOLUTION REQUIRED

Strategy Endorsement	
Commercial Options	
Approval	
Information	X

2. PURPOSE

To table the special adjustments budget for the 2019/20 in terms of the Multi Term Revenue and Expenditure Framework (MTREF).

3. BACKGROUND

The National Treasury issued a communique on the 8th of October to the municipality indicating the need for the municipality to revise its 2019/20 adopted budget to meet the criteria set out in Section 18 of the MFMA. Failure to do so would result in the municipality's December 2019 equitable share allocation being withheld. The MEC Finance met with the municipality on the 29th of October 2019 to discuss the underlying areas that led to the budget being assessed as unfunded. Further to that, a follow up working session to adjust the budget was held between Gauteng Provincial Treasury and the municipality on 5 November 2019. The resolutions of the two meetings were used to influence the special adjustments budget to be taken to Council on or before the 11th of November 2019.

4. Funded Budget

In order to meet the funded budget status the following actions were undertaken:

The Municipality had to reduce the deficit in the original budget from R31.4m to R8.7m while the operational deficit realized in the original budget of R13.5 was eliminated in the special adjustments budget which projects an operational surplus of R1.6m which is also projected to positively increase in the outer years.

The surplus is as a result of the following movements during the adjustments budget process:

- Employee costs were reduced by R7m by freezing of budgeted non essential vacant posts and budgeting for only the remaining period for the essential posts that have to be filled in the financial year.
- The non-cash item depreciation, was reduced by R2m as actual figures that were realised in compilation of the asset register were used.
- Bulk purchases were reduced by R1.3m considering the year to date expenditure on the item.
- Contracted services were reduced by R797k.
- General expenditure was reduced by R2.4m.
- A rollover of R1.6m for the libraries grant, resulted in an increase in transfers and subsidies.

Cash Flow

- In the original budget, the municipality budgeted to an amount of R12.3m as cash in the bank at the start of the period, now the opening balance has been adjusted to R30.7m as actual cash in the bank at the start of the financial year as per pre audited financial statements.
- On preparation of the special adjustments budget, the cash of the municipality invested in short term call accounts amounts to R21m

Revenue

Proposed adjustments budget revenue for the 2019/20 financial year is as follows:

Description	Original Budget 2019/20 R	Special Budget 2019/20 R	Budget (outer year) 2020/21 R	Budget (outer year) 2021/22 R	Weighting
Property rates	116,940,708	116,940,708	123,255,505	129,911,305	12
Service charges- electricity revenue	344,986,684	344,986,684	364,160,467	384,400,126	36
Service charges – Water revenue	121,147,729	121,147,729	128,163,555	135,590,575	13
Service charges – sanitation revenue	31,365,237	31,365,237	33,290,704	35,337,348	3
Service Charges refuse revenue	31,487,855	31,487,855	33,251,138	35,113,163	3
Fines	45,919,353	45,919,353	45,920,398	45,921,499	5
Interest earned outstanding debtors	29,240,072	29,240,072	30,819,035	32,483,262	3
Transfers recognized – operational	156,669,915	158,289,400	173,520,304	193,686,159	17
Transfers recognized – Capital	64,404,000	65,888,246	66,820,000	73,058,000	7
Rental of facilities and equipment	5,219,316	5,219,316	5,501,160	5,798,224	1
Other revenue	8,163,528	8,163,528	8,604,352	9,068,989	1
Total	955,544,393	958,648,124	1,013,306,618	1,080,368,650	100

The largest revenue items are electricity at 36.1%, grant income at 23.1% (16.4% is operational grants and 6.7% is capital grants), water sales at 12.7% and property rates at 12.2%. The three items generate 84.1% of the revenue of the municipality.

Expenditure

Proposed Adjustments budget expenditure for the financial year is as follows:

Description	Original Budget 2018/19 R	Special Budget 2019/20 R	Budget (outer year) 2019/20 R	Budget (outer year) 2020/21 R	Weighting
Employee costs	209,696,988	202,745,805	220,019,731	233,165,985	23
Councillors remuneration	11,795,677	11,795,677	12,562,396	13,228,203	1
Debt Impairment	150,776,271	150,776,271	156,960,695	163,493,107	17
Depreciation	38,768,608	36,768,608	39,845,956	41,687,517	4
Finance charges	7,711,200	7,711,200	7,607,693	7,547,828	1
Bulk purchases: Electricity and Water	341,353,138	340,053,138	359,244,573	378,073,982	38
Other Materials	15,442,585	15,442,585	16,018,784	16,883,797	2
Leases	3,227,704	3,227,704	3,402,000	3,585,709	0
Contracted services	80,283,586	79,486,860	79,637,687	84,552,025	9
Other expenditure	45,569,509	43,147,790	47,014,186	49,851,631	5
Total Expenditure	904,625,266	891,155,638	942,312,175	992,068,176	100.0

The largest expenditure items are bulk purchases at 37.7%, employee related costs at 23.2% and debt impairment at 16.7%. The three items make up 77.6% of the expenditure of the municipality.

Capital Budget

The adjusted capital Budget amounts to R76,243,111 and is funded as follows:

Description	Budget 2019/20 R	Special Budget 2019/20 R	Weighting
National Government funded	64,954,000	69,257,730	91%
<i>Lesedi L.M. (own funded)</i>	17,400,000	6,985,381	9%
TOTAL	82,354,000	76,243,111	100%

ADJUSTED CAPITAL PROJECTS FOR 2019/20				
GRANT FUNDED PROJECTS				
Votenummer	Description	Source of funding	Original Budget	Adjustd Budget
31106460420CLC95ZZWM	FURNITURE	Recapitalisation of Community Grant - Libraries	150 000.00	150 000.00
31106470020CLC84ZZWM	COMPUTER HARDWARE	Recapitalisation of Community Grant - Libraries	480 000.00	480 000.00
31106473520CLD03ZZW2	MAINTENANCE DEVON	Recapitalisation of Community Grant - Libraries	2 000 000.00	2 000 000.00
31106473520CLD08ZZWM	NEW BOOKS	Recapitalisation of Community Grant - Libraries	1 000 000.00	1 000 000.00
31106473520CLD04ZZWM	REWIRING OF HEIDELBERG LIBRARY	Recapitalisation of Community Grant - Library Plan	-	3 103 730.00
31106473520CLD38ZZW4	FENCING OF RATANDA PROPER	Library Plan	1 000 000.00	1 000 000.00
31106473520CLD39ZZW4	CAR PORT IN RATANDA	Recapitalisation of Community Grant - Libraries	120 000.00	120 000.00
37156432420IPC61ZZW4	ELECTRIFICATION - OBED NKOSI	INEP	900 000.00	900 000.00
37156433020CFC63ZZWM	STREET LIGHTS (EDDSM)	EEMD	7 000 000.00	7 000 000.00
37156433020IPC65ZZW4	ELECTRIFICATION - OBED NKOSI	INEP	727 600.00	727 600.00
37156437020IPD12ZZW7	ELECTRIFICATION - IMPUMELELO - MV	INEP	5 000 000.00	5 000 000.00
37156437420IPD11ZZW7	ELECTRIFICATION - IMPUMELELO - LV	INEP	6 372 400.00	6 372 400.00
37156437420IPD13ZZWM	INSTALLATION OF HIGHMASTS AT LESEDI	MIG	1 904 000.00	1 904 000.00
37306472420FMD01ZZW4	CONST ROADS & S/W RATANDA 1;3;6 & OBED N	MIG	11 500 000.00	11 500 000.00
37306472420FMD15ZZW8	CONSTR ROADS & STORMWATER JAMESON PARK	MIG	7 800 000.00	7 800 000.00
37306472420FMD16ZZW4	CONSTR ROADS & STORMWATER RATANDA EXT7	MIG	4 000 000.00	4 000 000.00
37356449420FMD14ZZW2	UPGRADING OF DEVON WASTE WATER TREATMENT	MIG	1 200 000.00	1 200 000.00
37356449420WGD18ZZWM	UPGR SEWER PIPELINE THOKOLOHONG AGRI VIL	WSIG	7 000 000.00	7 000 000.00
37456446020WGD17ZZWM	REPLACEMENT OF ASBESTOS PIPES LESEDI P4	WSIG	8 000 000.00	8 000 000.00
		Total Grant funded Projects	66 154 000.00	69 257 730.00

INTERNAL FUNDED PROJECTS				
Votenummer	Description	Source of funding	Original Budget	Adjusted Budget
31156472420CFD30ZZWM	INTERNAL ROADS EKHUTULENI CEMETERY	Internal Funding	1 500 000.00	-
31206456420CFD27ZZWM	FIRE ENGINE	Internal Funding	4 500 000.00	4 500 000.00
31556456020CFC83ZZWM	BUSH CUTTERS; CHAINSAWS; BLOWERS	Internal Funding	350 000.00	115 470.00
32156421020CFD40ZZWM	MAYOR'S CAR	Internal Funding	700 000.00	700 000.00
32206421020CFD41ZZWM	SPEAKER'S CAR	Internal Funding	500 000.00	500 000.00
34106474020CFC44ZZHO	UPGRADE OF MUNICIPAL BUILDING	Internal Funding	300 000.00	-
35106460420CFC95ZZWM	FURNITURE	Internal Funding	350 000.00	-
35206470020CFC84ZZWM	COMPUTER HARDWARE	Internal Funding	1 000 000.00	642 911.00
37156433020CFC66ZZW4	ELECTRIFICATION- RATANDA EXT 8	Internal Funding	500 000.00	500 000.00
37156433020CFD22ZZWM	UPGRADING & REFURBISHMENT OF NETWORK	Internal Funding	500 000.00	-
37156456420CFD24ZZWM	TOOLS & EQUIPMENT	Internal Funding	150 000.00	27 000.00
37306472420CFC87ZZWM	RESEALING OF ROADS	Internal Funding	5 000 000.00	-
37356420420CFC91ZZWM	TRAILERS	Internal Funding	350 000.00	-
37456456420CFD37ZZW4	UPGRADING TELEMETRY SYSTEM	Internal Funding	500 000.00	-
Total Internal funded Projects			16 200 000.00	6 985 381.00
TOTAL CAPITAL			82 354 000.00	76 243 111.00

5. Gauteng Provincial Assessment results

Attached is the budget assessment results from GPT that indicates that the budget is now funded.

6. LEGISLATIVE PROVISION

In terms of section 18(1)(a)(b)(c) of the MFMA, 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(2).

7. LC.CM-.../03/2018 RECOMMENDATION

6.1 THAT Council notes the annual budget with operational revenue of R892,760,000 operational expenditure of R891,156,000 and Capital Expenditure of R76,243,111 for the 2019/20 financial year as contained in the attached tables:

