

3. EXECUTIVE SUMMARY

Operating Revenue

The Operating Revenue Budget of Council is increased upwards with R 147.2 million to a total of R 2. 974 billion compared to the original budget

The main adjustments to revenue are as follows:

- Property Rates will decrease by R47.8 million,
- Service charges electricity will decrease by R 18.2 million,
- Service charges water will increase by R 16.5 million,
- Service charges sanitation will increase with R6.4 million,
- Interest earned – external investments will increase by R10 million,
- Interest earned – outstanding debtors will increase with R 195 million,
- Fines, penalties and forfeits will increase with R5 million
- Licences and permits will increase with R 79 million

Property rates is adjusted downwards to correct the provision of the over provision for indigents as the amount of registered indigent persons is on expected to increase.

Service charges electricity will decrease to bring it in line with the mid-year performance actuals.

Service charges will increase to bring it in line with the mid-year performance actuals.

Interest earned – external investments will increase based on the higher audit figures in the 2018/19 AFS.

Interest earned on outstanding debtors will be increased in line with the increase in the debt book. This will be offset by a provision for bad debt. This is also informed by the outcome of the 2108/19 Pre – Audited Annual Financial Statements.

Fines and penalties will increase as there were a notable increase in the 2018/19 financial year.

Licences and permits will also increase based on a higher collection in the 2018/19 year.

Other revenue will also increase to make the Revenue targets more realistic based on the prior year outcome and mid-year performance assessment.

Operating Expenditure

The operating expenditure budget is also recommended for adjustment.

The expenditure budget is decreased from R3 217.2 billion to R3 154.6 billion.

The main adjustments to expenditure are as follows:

- Employee related cost will decrease with R33.12 million,
- Debt impairment will increase with R212.73 million,
- Depreciation decrease with R 5 million,
- Finance charges will decrease with R1.9 million.
- Bulk Purchases will decrease with R20 million
- Other material will decrease with R 56.6 million,
- Contracted Services will decrease with R 127 million, and
- Other Expenditure will decrease with R 67.48 million.

Employee related cost will decrease with a reduction in overtime cost and the saving on new appointments.

Debt impairment will increase to bring it in line the 2018/19 annual financial statement outcome.

Finance charges will reduce due to reduction of loan payment.

Other materials will reduce as a result of cost cutting to make the budget funded.

Contracted services will also reduce because of the cutting of cost.

Other expenditure was also been reduced.

The total expenditure were reduced from R3, 217 billion to R3,118 billion.

Capital Expenditure

The capital budget will be adjusted with the grant funded allocation R 3.6 million, 2018/19 roll overs of R 31 million and the Council funded budget was reduced with R 10 million

Financial position

Cash and call investment deposit are adjusted because of the budgeted cash outflow. The municipality is anticipating to outstanding creditors in line with creditors payment plan and to comply with section 65 of MFMA. It is expected that the payables will decrease.

For consumer debtors, the municipality has approved 60/40 and 70/30 incentive program / scheme for customers who are in arrears. The municipality has made provision for an amount that will be written off when consumer takes advantage on the scheme. At the moment, the municipality is in a process of profiling consumers in order to trace which amount is not collectable in order to write it off.

The budgeted property, plant and equipment of the municipality is anticipated to increase due to budget of capital assets. This will an indication of service delivery to the community. As and when projects are completed and ready to be used, PPE will increase.

Accumulated depreciation was done based on the life span of the assets and the depreciation is budgeted for.

Cash Flow

The receipts for cash flow operating activities was based on the collection rate of 70% for property rates and user charges. The municipality is anticipating to increasing collection rate by more than 70% in the coming months due to new mechanisms put in place to collect from debtors.

The average collection rate for revenue by source is **62% for 2019/2020 budget year and 66,9% and 70,6% for the two outer years.**

The cash flow indicate that all the current employees and suppliers will be paid on 2019/2020 Financial year and there is also a provision made of R 467,9 million to pay for Eskom and Midvaal for arrears and other creditors.

The municipality has made provision to honour their outstanding creditors and comply with section 65(1)(e) of MFMA and this resulted in having cash and cash equivalent at R 29,5 million at the end of the year.

Measureable Performance Objectives

Due to the impact of the adjustments to the budget, the measurable performance objectives will be amended. Revenue have increased as a result of additional income realised in the 2018/19 financial year. Some expenditure programs will be aligned to the reduction in expenditure as the operation expenditure was reduced with R 209 million as a result of cutting of cost and cost containment.

Adjustments Budget Tables

The Official National Budget Schedules are reflected as annexure to this report. These tables form the basis of the Council resolutions with regards the approval of the adjustments budget.

The following tables are provided:

Table B1 – Adjustments Budget Summary

Table B2 – Adjustments Budget Financial Performance Standard Classification

Table B3 - Adjustments Budget Financial Performance Revenue and Expenditure by Municipal Vote

Table B4 - Adjustments Budget Financial Performance Revenue and Expenditure

Table B5 – Adjustments Capital Budget by Vote And Funding

Table B6 – Adjustments Budget Financial Position

Table B7 – Adjustments Budget Cash Flow

Table B8 – Cash Backed Reserves and Accumulated Surplus Reconciliation

Table B9 – Asset Management

Table B10 – Basic Service Delivery Measurement