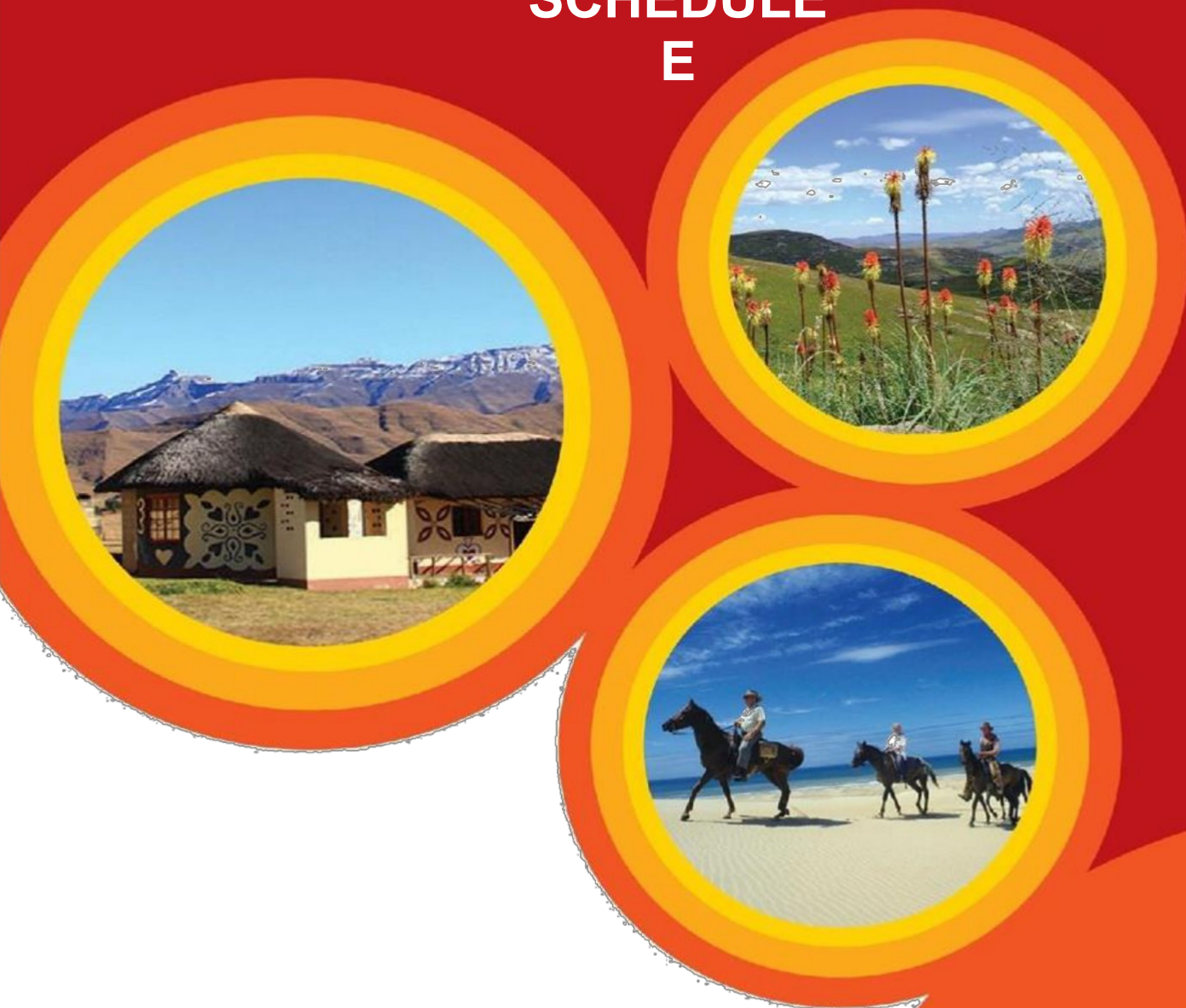


ANDA SECOND BUDGET ADJUSTMENT 2019/20 20

SCHEDULE E



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1. CHAIRPERSONS REPORT

The purpose of this report is to initially present the financial analysis of AND with a particular focus on the cashflows of the Development Agency and the implications thereof on service delivery targets.

As the Chairperson of the Board, I wish to draw attention of the members of the Board and the shareholder to an exercise that resulted in the Development Agency implementing an upward budget adjustment during December 2019. The upward adjustment was intended to recognise anticipated revenue from the following SETAs with the following financial implications:

- Services SETA R 4 105 000.00
- FP & M SETA R 1 000 000.00
- NSF R 10 212 500.00

Pursuant to a detailed assessment of the financial cashflow position of the Development Agency and the implications of the Covid-19 pandemic on the implementation of skills development programmes of this nature a need has been identified to adjust the budget of the development Agency down as it is not anticipated that funding from the above stipulated SETA will be realised during the current financial year of the Development Agency.

Furthermore, as the Development Agency we wish to further stipulate that this downward adjustment does not imply or translate into a withdrawal of the SETA to partner and work with the Development Agency as there are signed agreements in place between ANDA and the respective SETAs committing to the implementation of the programme. Instead this exercise is meant to ensure that monies anticipated to be received by the Development Agency are budgeted for in the correct budgeting cycle.

ANDA has therefore received full commitment that these programmes will be implemented in the next financial year once the regulations that place restrictions on the implementation of these programmes have been lifted.

Furthermore, as it has become well known across the country and across the globe that the world is faced with the challenges of the Covid-19 pandemic. As the Development Agency we recognise the fact that as a result of the effects of this pandemic there might unforeseen

and unavoidable expenditure that we might require to incur in order to implement institutional

preventative measures. Therefore, this proposed budget adjustment is aimed at accommodating expenses that are associated with the prevention of Covid-19 in line with the regulation.

Therefore, ANDM Grant received as at the 30 April 2020 is 100% of the budgeted amount and the overall total income received is 57% of the budgeted income. Total expenditure is 43% of the budgeted expenditure mainly due to an R 15 317 500.00 from National Skills Fund, FP & M SETA and Services SETA as explained above which has not been realised due to Covid-

19 implications on planned programmes. On Capital Expenditure only 16 % of the total budgeted has been spent as at 30 April 2020, General Expenditure 62% of the total budget has been spent and Personnel Expenditure 85% was spent in the same period.

In light of the above a need has been and due to the unexpected State of COVID Affairs there is a need to adjust the budget of the Entity in order to avoid irregular expenditure.

2. RESOLUTIONS

- That the Audit Committee considers and provides assurance in relation to the proposed second ANDA Budget Adjustment 2020/21
- That the Board of Directors approves the second ANDA Budget Adjustment 2020/21
- Board of Directors to recommend the adoption of Second Adjustment Budget by Council through the office of the Executive Mayor
- That the Mayoral Committee approves the second ANDA Budget Adjustment 2020/21
- That the Board of Directors may approve the undertaking necessary revisions to the Service Delivery and Budget Implementation Plan 2019/20

3. EXECUTIVE SUMMARY

3.1 BACKGROUND

Section 29 (1) of the MFMA states that a Municipality may in an emergency authorise unforeseen and unavoidable expenditure for which provision was made.

Due to the COVID 19 pandemic government there are regulations that have been set by government which compel organisations such as ANDA to undertake necessary

safety precautions in order to curb the spread and the effects of the deadly Corona Virus. It has

been established that although no expenditure has been incurred the necessary precautionary measures will require the incurring of unforeseen and unavoidable expenditure. Therefore in order to avoid such expenditure, and adjustment budget is proposed.

Furthermore, as articulated in the previous section, due to the effects of the Covid-19 pandemic monies anticipated to flow to the Development Agency will be delayed and will only be received in the next financial year. Therefore a need has been identified that such funds must find expression in the 2020/21 ANDA Budget and be adjusted down in the 2019/21 ANDA Budget.

Therefore, the total proposed funding to be shifted in favour of COVID-19 expenditure amounts to R 494 631.00. In addition, due to anticipated delays in the receipt of funding commitments from SETAs resulting from Covid-19 implications a had downward adjustment of the funding is proposed as followon the following funding

Services SETA	R 4 105 000.00
FP & M SETA	R 1 000 000.00
NSF	R 10 212 500.00

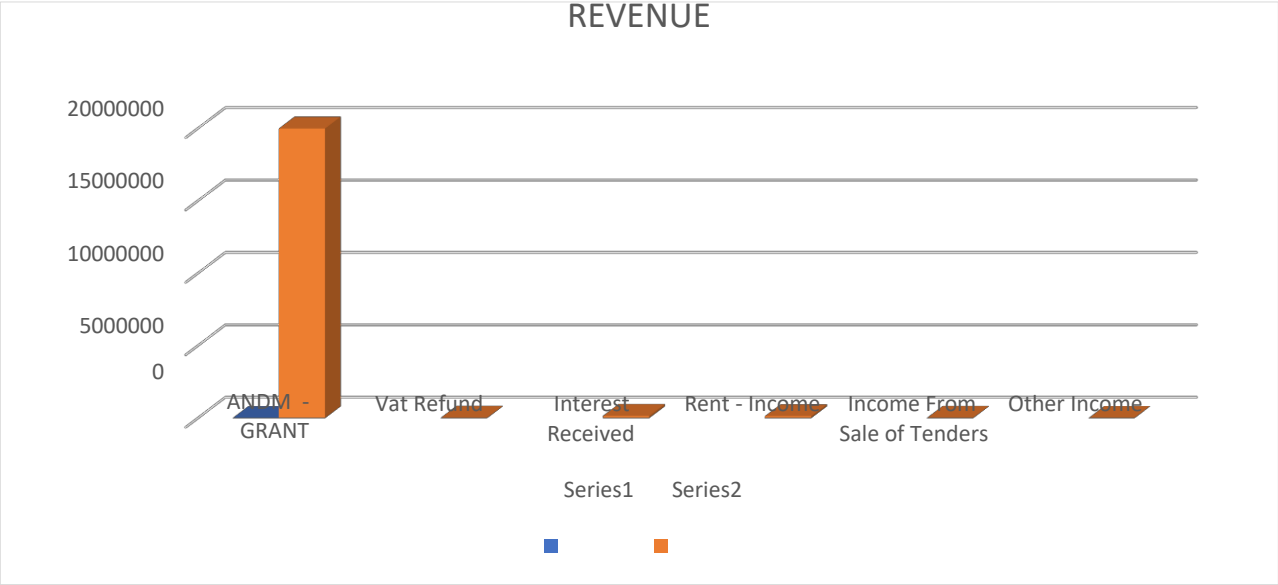
As a result of these downwards Grant Adjustments, there had to also be a downward adjustment of corresponding expenditure.

4. ADJUSTMENT BUDGET TABLES

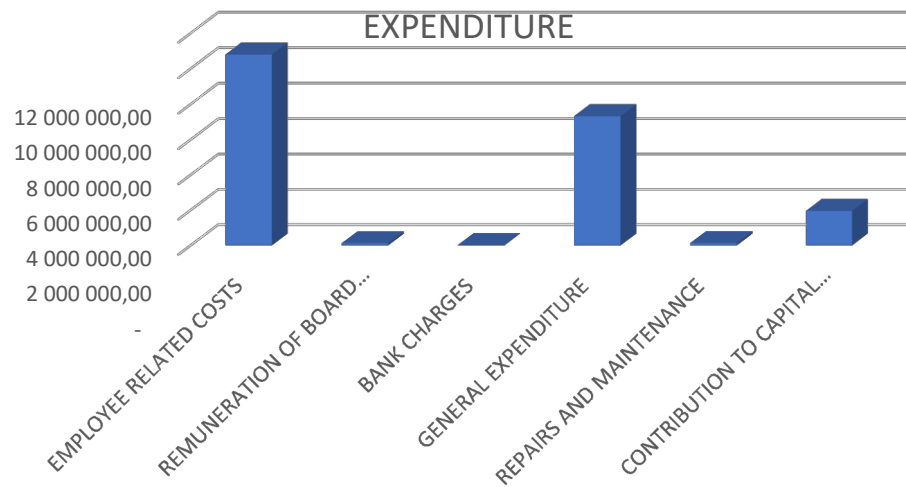
REVENUE

ANDM - GRANT	20 000 000.00
Vat Refund	30 000.00
Interest Received	152 960.00
Rent - Income	138 000.00
Income From Sale of Tenders	20 000.00
Other Income	10 500.00

TOTAL **20 351 460.00**



EMPLOYEE RELATED COSTS	10 797 878.00
REMUNERATION OF BOARD MEMBERS	120 000.00
BANK CHARGES	20 000.00
GENERAL EXPENDITURE	7 323 996.75
REPAIRS & MAINTAIN CONTRIBUTI ON TO CAPITAL OUTLAY	130 000.00
TOTAL EXPENDITURE	20 351 460.00



Alfred Nzo Development Centre - Table E1 Adjustments Budget Summary - 27 May 2020

Description	Budget Year 2019/20								Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Prior Adjusted 1 A1	Downward adjusts 2 B	Parent muni. 3 C	Unfore. Unavoid. 4 D	Other Adjusts. 5 E	Total Adjusts. 6 F	Adjusted Budget 7 G	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G		
Financial Performance										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–	–
Investment revenue	153	–	–	–	–	–	–	153	162	171
Transfers recognised - operational	318	–	(14 818)	–	–	–	(14 818)	20 500	21 730	27 084
Other own revenue	97	–	–	–	–	102	102	199	210	12 706
Total Revenue (excluding capital transfers and contributions)	35 567	–	(14 818)	–	–	102	(14 716)	20 851	22 103	39 961
Employee costs	048	10 798	(390)	–	–	390	–	10 798	11 446	12 132
Remuneration of Board Members	200	200	(80)	–	–	–	(80)	120	127	224
Depreciation and debt impairment	–	–	–	–	–	–	–	–	–	–
Finance charges	70	20	–	–	–	–	–	20	21	283
Materials and bulk purchases	–	–	–	–	–	–	–	–	–	–
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	710	15 789	24 261	(17)	–	–	2 385	(14 876)	9 914	10 508
Total Expenditure	27 028	35 807	(17 731)	–	–	2 775	(14 956)	20 851	22 103	39 624
Surplus/(Deficit)	8 539	(35 807)	2 913	–	–	(2 673)	240	–	–	337
Transfers recognised - capital	455	6	–	–	–	11 213	(240)	6 215	18 728	19 852
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	160	160	–	–

Surplus/(Deficit) after capital transfers & contributions	994 ¹⁴	807) ⁽³⁵	913 ²	–	–	540 ⁸	160	375 ⁶	728 ¹⁸	189 ²⁰
Taxation	–	–	–	–	–	–	(160)	(160)	–	–
Surplus/ (Deficit) for the year	994 ¹⁴	807) ⁽³⁵	913 ²	–	–	540 ⁸	160	160	728 ¹⁸	189 ²⁰
<u>Capital expenditure & funds sources</u>										
<i>Capital expenditure</i>	150	061 ¹	–	490 ¹	–	650	140 ²	201 ³	–	–
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–	–
<i>Total sources of capital funds</i>	–	–	–	–	–	–	–	–	–	–
<u>Financial position</u>										
Total current assets	333 ³	–	885) ⁽²	–	–	1	884) ⁽²	449	–	–
Total non current assets	937 ¹	–	(105)	–	–	150	45	982 ¹	–	–
Total current liabilities	260	–	–	–	–	328 ¹	328 ¹	588 ¹	–	–
Total non current liabilities	–	–	–	–	–	–	–	–	–	–
Community wealth/Equity	010 ⁵	–	327) ⁽⁴	–	–	–	327) ⁽⁴	683	–	–
<u>Cash flows</u>										
Net cash from (used) operating	970) ⁽³	36	–	–	–	427) ⁽¹	427) ⁽¹	391) ⁽¹	–	–
Net cash from (used) investing	100	–	–	–	–	–	–	100	–	–
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	333 ³	369 ³	369 ³	369 ³	369 ³	942 ¹	048 ¹²	417 ¹⁵	893) ⁽¹	893) ⁽¹

4.1. Table E1 Adjustments Budget Summary

Alfred Nzo Development Centre - Table E2
Adjustments Budget - Financial Performance
(revenue and expenditure) - 27 May 2020

[illegible]

		–	–					–	–	–	–
Licences and permits		–	–					–	–	–	–
Agency services		–	–					–	–	–	–
Transfers and subsidies		35 318	–	(14 818)				(14 818)	20 500	21 730	27 084
Other revenue		1	–			60	60	60	61	64	12 598
Gains on disposal of PPE		–	–					–	–	–	–
Total Revenue (excluding capital transfers and contributions)		35 567	–	(14 818)	–	–	102	(14 716)	20 851	22 103	39 961
Expenditure By Type	–										
Employee related costs		11 048	10 798	(390)	–	–	390	–	10 798	11 446	12 132
Remuneration of Directors		200	200	(80)	–	–	–	(80)	120	127	224
Debt impairment		–	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment		–	–	–	–	–	–	–	–	–	–
Finance charges		70	20	–	–	–	–	–	20	21	283
Bulk purchases		–	–	–	–	–	–	–	–	–	–
Other materials		–	–	–	–	–	–	–	–	–	–
Contracted services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure		15 710	24 789	(17 261)	–	–	2 385	(14 876)	9 914	10 508	26 985
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		27 028	35 807	(17 731)	–	–	2 775	(14 956)	20 851	22 103	39 624
Surplus/(Deficit)		8 539	(35 807)	2 913	–	–	(2 673)	240	–	–	337
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		6 455	–	–	–	–	11 213	11 213	17 668	18 728	19 852

Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)		—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) before taxation		14 994	(35 807)	2 913	—	—	8 540	11 453	17 668	18 728	20 189
Taxation		—	—	—	—	—	—	—	—	—	—
Surplus/ (Deficit) for the year		14 994	(35 807)	2 913	—	—	8 540	11 453	17 668	18 728	20 189

Alfred Nzo Development Centre - Table E3
Adjustments Capital Expenditure Budget by
asset class and funding - 27 May 2020

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

**Alfred Nzo Development Centre - Table
E4 Adjustments Budget - Financial
Position - 27 May 2020**

[illegible]

TOTAL COMMUNITY WEALTH/EQUITY	2	010	5	-	327)	(4	-	-	-	327)	(4	683	-	-

Alfred Nzo Development Centre - Table E5
Adjustments Budget - Cash Flows - 27 May
2020

Description	Re f	Budget Year 2019/20								Budget Year +1 2020/21	Budget Year +2 2021/22
		Original Budget	Prior Adjusted	Downward adjusts	Parent muni.	Unfore. Unavoid.	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	
			1	2	3	4	5	6	7		
		A	A1	B	C	D	E	F	G		
R thousands											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		96	–	–	–	–	42	42	138		
Service charges		–						–	–		
Other revenue		–					60	60	60		
Government – operating		7					9	9	16		
Government – capital		001					102	102	103		
		9					17	17	27		
Interest		655					696	696	351		
Dividends		153			–	–	–	–	153		
								–	–		
Payments											
Suppliers and employees		(24 354)					(28 287)	(28 287)	(52 641)		
Finance charges		–	36				(40)	(40)	(4)		

Dividends paid								-	-		
Transfers and Grants		3						-	3		
		479						-	479		
NET CASH FROM/(USED) OPERATING ACTIVITIES		(3	36	-	-	-	(1	(1	(5	-	-
		970)					427)	427)	361)		
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		250			-		-	-	250		
Decrease (Increase) in non-current debtors		-	-		-		-	-	-		
Decrease (increase) other non-current receivables		-	-		-		-	-	-		
Decrease (increase) in non-current investments		-	-		-		-	-	-		
Payments											
Capital assets		(150)					-	-	(150)		
NET CASH FROM/(USED) INVESTING ACTIVITIES		100	-	-	-	-	-	-	100	-	-
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-		-		-	-	-		
Borrowing long term/refinancing		-	-		-		-	-	-		
Increase (decrease) in consumer deposits		-	-		-		-	-	-		
Payments											
Repayment of borrowing		-	-		-		-	-	-		
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(3	36	-	-	-	(1	(1	(5	-	-
		870)					427)	427)	261)		
Cash/cash equivalents at the year begin:	8	203	333	369	369	369	369	369	369	(1	(1
		7	3	3	3	3	3	3	3		
Cash/cash equivalents at the year end:	8	333	369	369	369	369	942	942	893)	893)	893)
		3	3	3	3	3	1	1	(1	(1	(1

PART 2 – SUPPORTING DOCUMENTATION

5. BUDGET ASSUMPTIONS

The budget assessment is conducted in line with Section 29 (1) of the MFMA 56 of 2003, and portrays the cumulative picture of the monthly Section 87 reports for the period ended 30 April 2020.

6. BUDGET FUNDING

The following decreases have been effected in the Budget Adjustments Budget

- Services SETA R 4 105 000.00
- FP & M SETA R 1 000 000.00
- NSF R 10 212 500.00

7. ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES.

Grant Funding Decreases

National Skills Fund	4 105 000.00
NP & F SETA	1 000 000.00
NSF	10 212 500.00
TOTAL DECREASE	15 226 500.00