

ADJUSTMENT BUDGET OF MOQHAKA LOCAL MUNICIPALITY



2019/20 TO 2021/22 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Purpose

The purpose of the report is to obtain approval for adjustments to the approved 2019/20 Medium Term Revenue and Expenditure Framework (MTREF) in terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Background

The 2019/20 MTREF was approved by Council on **28 June 2019** in accordance with section 24(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and applicable National Treasury guidelines.

In terms of section 72 of the MFMA *‘the accounting officer of a municipality must assess the performance of the municipality during the first half of the financial year’*,

It is further stated in section 72 of the MFMA that *“the accounting officer must as part of the review make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary”*.

The MFMA Section 69 (2) further stipulates that *“when necessary, the accounting officer must prepare an adjustment budget and submit it to the Executive Mayor for consideration and tabling in the municipal council”*.

Section 28 (2) of the MFMA provides guidelines on when and how an adjustments budget can be prepared. The guidelines are the following:

- A municipality may revise an approved annual budget through an adjustments budget.
- An adjustments budget -
 - (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
 - (b) may 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;
 - (c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the Executive Mayor of the municipality;
 - (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
 - (e) may 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 roll-overs when the annual budget for the current year was approved by the council;
 - (f) may correct any errors in the annual budget; and
 - (g) may provide for any other expenditure within a prescribed framework.

Adjustment Budget

The following table outlines the consolidated overview of the adjusted Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2019/20 MTREF

R thousand	Special Adjustment Budget Year 2019/20	Adjustment Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Operating Revenue	862 406	876 105	923 415	974 202
Total Operating Expenditure	837 932	853 320	899 399	948 866
<i>Surplus/(Deficit) for the year</i>	24 474	22 785	24015	25 336
Total Capital Expenditure	79 143	76 503	83 417	88 005

The following table is a summary of the adjusted budget.

Table 2 Summary of revenue classified by main revenue source

Revenue types			
R thousand	Special Adjustment Budget 2019/20	Adjustment Budget 2019/20	%
Property rates	80 501	76 515	-5%
Service Charges: Electricity	310 408	316 640	2%
Service Charges: Water	128 076	131 187	2%
Service Charges: Sanitation	45 471	46 925	3%
Service Charges: Refuse	35 555	34 610	-3%
Rental of Facilities	8 027	8 003	0%
Interest : External Investments	1 505	1 795	19%
Interest: Outstanding Debtors	25 172	28 573	14%
Fines, penalties and forfeits	8 105	8 023	-1%
Transfers Recognised Operational	209 803	209 441	0%
Other Revenue	9 782	14 393	47%
Total Revenue (Excluding capital grants)	862 406	876 105	2%

Remarks

Interest: Outstanding Debtors

the interest was adjusted in line with the performance of the various interest line items as at mid-year. The increase in the outstanding interest is also in reference to the current outstanding debtors.

Other Revenue

The other revenue movement was mainly adjusted in line with the various line items performance at mid-year. This percentage is a very high, due to the fact that there was a 7% reduction during the special adjustment budget against the annual budget.

Table 3: Summary of operating expenditure by standard classification item

The following table is a high level summary of the adjusted budget and MTREF (classified per main type of operating expenditure):

OPERATING EXPENSES			
Description R thousand	Special Adjustment Budget 2019/20	Adjustment Budget 2019/20	%
Employee Related Cost	279 699	292 902	5%
Remuneration of Councillors	19 319	18 595	-4%
Contribution to bad debts	90 028	89 630	0%
Depreciation & Asset Impairment	2 737	4 137	51%
Finance charges	6 914	7 397	7%
Bulk Purchases	263 126	263 137	0%
Other Materials	10 936	10 349	-5%
Contracted Services	100 844	100 890	0%
General Expenses	64 329	66 283	3%
Total Expenditure (Excluding capital grants)	837 932	853 320	2%

Remarks

Employee Related Costs

The increase is mainly driven by the alignment of the employee related cost to the employee appointments made during the first part of the 2019/20 financial year which could not be accurately determined at the beginning of the financial year.

Depreciation & Asset Impairment

The increase in depreciation is to gradually accommodate this non-cash item into the budget.

TABLE 4: TRANSFERS AND GRANT RECEIPTS

The table below provides a summary of the adjusted grants receipts:

FS201 Moqhaka - Supporting Table SB7 Transfers and grant receipts					
DESCRIPTION	REF	Budget Year 2019/20		Budget Year +2020/21	Budget Year +21/22
		Special Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
RECEIPTS:	1, 2				
Operating Transfers and Grants					
National Government:		208 451	208 451	206 670	223 900
Local Government Equitable Share		205 660	205 660	203 848	221 685
LG Seta	3	576	576	607	–
Finance Management		2 215	2 215	2 215	2 215
EPWP Incentive		1 000	1 000	–	–
EPWP Incentive	5	1 000	1 000	–	–
District Municipality:		–	–	–	–
Other grant providers:		–	–	–	–
Total Operating Transfers and Grants	6	209 451	209 451	206 670	223 900
Capital Transfers and Grants					
National Government:		55 178	55 178	58 213	61 414
Municipal Infrastructure Grant (MIG)		40 178	40 178	42 388	44 719
Water Services Infrastructure Grant		15 000	15 000	15 825	16 695
EPWP		–	–	–	–
DOE		–	–	–	–
EPWP Incentive		–	–	–	–
Other grant providers:		–	–	–	–
<i>[insert description]</i>					
Total Capital Transfers and Grants	6	55 178	55 178	58 213	61 414
TOTAL RECEIPTS OF TRANSFERS & GRANTS		264 629	264 629	264 883	285 314

Comments on Adjustments:

There were no changes to transfers and grants receipts.

Table 5: Medium-term capital budget per vote

CAPITAL BUDGET (Own Funds)								
	Political Offices	Municipal Manager	Finance Services	Corporate Services	Technical Services	Community & Social Services	LED	TOTAL
R thousand								
Vehicles	1 198	-	-	-	-	-	-	1 198
Furniture, Equipment & Heavy Machinery	35	-	500	68	4 859	1 651	503	7 616
Office Furniture	-	-	177	-	600	-	610	1 387
ICT Hardware	-	-	-	1 450	-	255	-	1 705
MATLWANGTLWANG DRY SANITATION	-	-	-	-	3 753	-	-	3 753
Disaster Management	-	-	-	-	-	5 500	-	5 500
Mobile Toilet	-	-	-	-	-	166	-	166
Total	1 233	-	677	1 518	9 212	7 572	1 113	21 325

Comments on Adjustments:

The capital from own funding budget was adjusted in line with the cash collection during the first half of the financial year. This is mainly as a result that the own funding capital is highly dependent on the municipality's collection performance.

The following table provides a breakdown of budgeted capital expenditure by vote:

FS201 Moqhaka - Table B7 Budget Cash Flows				
Description	2019/20 Medium Term Revenue & Expenditure Framework			
R thousand	Special Adjustment Budget Year 19/20	Adjustment Budget Year 19/20	Budget Year +20/21	Budget Year +21/22
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	70 844	68 864	72 582	76 574
Service charges	484 558	464 686	489 779	516 717
Other revenue	20 912	19 054	20 082	21 187
Government - operating	209 803	209 803	221 132	233 295
Government - capital	55 178	55 178	58 158	61 356
Interest	21 396	30 368	32 008	33 768
Dividends	–	–	–	–
Payments				
Suppliers and employees	(778 846)	(734 404)	(774 062)	(816 635)
Finance charges	–	(7 397)	(7 796)	(8 225)
Transfers and Grants	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	83 845	106 151	111 883	118 037
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(55 178)	(55 178)	(58 213)	(61 414)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(55 178)	(55 178)	(58 213)	(61 414)
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	28 667	50 973	53 670	56 623
Cash/cash equivalents at the year begin:	11 670	11 670	62 643	116 313
Cash/cash equivalents at the year end:	40 337	62 643	116 313	172 936

The cash flow was projected at a collection rate of 85% on revenues except for the operating and capital grants which has been budgeted for at 100% on the original budget. These projections did not change, as the mid-year performance of the collection rate was also at 85% which is in line with the original projections. The municipality has also made provision to meet 100% of its obligations to the extent where possible however 90% percent for other expenditure has been provisioned.